

GRANT ACCOUNTING

The University Accounting Office handles all Grant accounting functions. The Accounting Office is generally involved in the entire cycle of the grant program starting with the proposal process. Customarily, the Director of Accounting assigns an individual from the Accounting Office staff to the grant program to assist the program director in the day -to-day fiscal operations. In addition, the Accounting Director is also responsible for the overall direction of all grant accounting.

Grant Proposals

A University faculty or staff member who initiates the grant proposal or application usually becomes the program director or the principal investigator,. The Program Director is directly responsible for the project from start to end.

The Accounting Office should be consulted early in the budget development process. The Accounting staff is not only well versed in the project budgeting process, it also has access to reliable budget data where actual rates are unavailable, particularly in relation to personnel costs, to assist grant seekers in developing an operationable projection.

A grant or contract often contains language that may not be acceptable to the University. The Accounting Office works with the Purchasing Office to screen and resolve items that the University Legal Counsel may reject. This will enable the Purchasing Office staff to, if necessary, contact the grantor in advance to request contract language modification so that we may avoid last minute delays.

Faculty and staff desiring to seek grant funds for their initiatives should also contact the Office for Public Grants and Corporate Partnerships for assistance in the overall grant development. Furthermore, this office usually routes the proposal to the approving parties, mails the document to the grantor, distributes copies to the responsible offices, and follows up with the grantor as necessary.

A copy of the proposal is filed in the Accounting Office's proposal drawer, under the faculty's name, after the routing process for campus authorization is complete. Successful proposals will be transferred to the active program file while the rejected proposals may be discarded as appropriate. We track proposals within the Research Accounting Module.

Grant FOAPAL.

When the University receives an official grant award letter or a signed grant agreement, the Accounting Office establishes fund number within the Banner Finance System to track the fiscal activities of the program. The grant or contract is normally restricted for a specific purpose and therefore the fund number assigned must also be in the restricted area. The Program Director is notified of the fund number assigned to the grant program and also the Budget Director, the Director for Public Grants and Corporate Partnerships, the Vice President for Finance and Administration, and other related parties.

Program Code in Grants.

While most grant programs use the standard FOAPAL in tracking revenue and expenditures, certain grants such as the Migrant Education program require additional grouping of the

expenditures. This grouping can be accomplished by using program codes that are defined solely for the grant use. For example, the following Migrant program codes have been defined:

1490	Supplemental Instruction
2200	Instructional Support
2270	Staff Development
2400	Health Services
2500	Indirect Cost
2700	Pupil Transportation
2850	Administrative Services
3100	Pupil Food Service
3300	Community Service

Posting Grant Budgets

The Accounting Office, using the approved budget document, posts the budget data into the grant fund within the BFS. Grant budgets are normally posted on a line-by-line basis rather than in a budget pool. If a pool budgeting process is used, customarily the entire grant award is posted to one main budget pool line and the expenditures will draw from or reduce the pool line. If the grantor is only concerned with the bottom line and the University is free to move the funds among the different budget categories, the pool approach would be recommended.

Conversely, in a line budgeting approach, each approved line on the grant budget is entered into a separate line within the grant account and the expenditures will reduce the specific line. When the grant program exhausts the budget funds in that line, no further expenditures will be accepted. Sometimes it will become necessary to renegotiate with the grantor for an authorization to shift money in the budget from one line to another. Some grantors may require that the actual expenditures fall within the budget line by up to ten percent.

Grant Requisitions

Grant requisitions can be processed by the Program Director online in the BFS through the Purchasing and Procurement Menu. Grant Program Directors may also contact the Accounting Office to establish access for their staff to handle this function. Grant requisitions submitted online are automatically forwarded to the Accounting Office staff for review and approval before they are routed to the Purchasing Office processing as a purchase order.

An approved purchase requisition entered online encumbers the necessary funds immediately. That is, the budget balance available is reduced at the point of entry. Since most grant budgets are entered on a line level, no requisition will be processed unless there is a sufficient budget balance in the grant. The program director should resolve any deficit situations with the Accounting staff.

Purchase Orders

After the program office has entered a purchase requisition and the Accounting staff has approved it, the Purchasing Office will convert the requisition into a bid or a Purchase Order depending on the dollar cut off. For Purchase Orders exceeding \$1,500, bids must first be obtained from at least three vendors, unless the item is available only through a sole source. When the Purchase Order satisfies all the requirements, it is printed and mailed to the appropriate vendor. Like requisitions, Purchase Orders (PO) can be viewed online using the Purchasing Query Menu. Requisitions for services are converted to Service Purchase Contracts (SPC), which

are subject to approval by the University Legal Counsel if exceeding five thousand dollars.

Active Program Folder

When a grant is awarded, the proposal document is removed from the Proposal Folder and placed in the Program Folder. Each grant has its own Program File and the folders are filed alphabetically in the active program drawers. The program files contain all pertinent documents including the proposal, letter of award or agreement, correspondence, fiscal and program reports, etc.

Grant Invoice Files

Grant invoices are subject to review by the Accounting Office not only for fund monitoring purposes but also to ensure that the purchase is within the grant guidelines and proper accounting codes are used and shown on the invoices.

The program director or coordinator is responsible for approving the grant invoices and submitting them to the Accounting Office for verification prior to being processed for payment by the Accounts Payable staff. However, with the use of the Banner Purchasing and Procurement System, invoices that satisfy the three-way match do not require the director's signature. A three-way match is indicated by: a) the department or grant program office posts a requisition online and the requisition is approved by the Accounting Office, b) the requisition is turned into a Purchase Order by the Purchasing Office and c) the goods are received or delivered to the Central Receiving Office and the receipt of goods is acknowledged by an entry in the Receiving System. Invoices with a two-way match must be signed by the program director because the goods have been delivered directly to the department or program office and therefore the program director must acknowledge the receipt of the goods or services by approving the invoice.

With respect to record keeping, non-grant invoices are filed in the Purchasing Office by the date paid. Grant invoices, on the other hand, are filed in the Accounting Office in the grant invoice folder. A small grant program may require one folder to hold all the invoices for the entire project period. Larger programs, for instance the Migrant and Upward Bound, may require a separate folder for each month.

The Accounting Office ensures that all vendors' invoices and interdepartmental charges are returned for filing by generating a report against the voucher file and the transaction file. Using these reports as a checklist, any missing documents would be requested from the Purchasing Office immediately.

Closed Grants

Closed grants are inactivated in the Accounting and Budget system (BFS). The Accounting Office maintains closed grant files for seven years from the program ending date. The records for each grant project consist of a program file and a paid invoice file. Included in the closed grant program folder will be a Grant Summary Report and a Grant Detail Report subtotaled by account.

The Accounting Office maintains an inventory listing of grant records and their filing location for ease of access and retrieval. This list shows the grant fund number, the program title, the grant period, the project director, the amount of award, and the granting agencies, etc.

Grant Receivables

A grant receivable is not set up when the grant award notification is received. The receivable is booked when an invoice is submitted to the grantor for reimbursement of expenditures paid out of the grant fund. At yearend, however, receivables are always established for financial statement purposes to the extent of the cash deficit in the grant account. Grant Receivables are posted as a debit to the grant receivable account and a credit to grant revenue account as follows:

Dr (Grant fund)- 1315

Cr (Grant fund) - 5XXX (depending on the source)

When payment is received from the grantor, cash is debited and the receivable, if one exists, or the revenue account is credited. The invoice then is removed from the open invoices file.

Normally each grantor determines the way it will remit funds to the University. Federal programs such as Upward Bound wire funds to the University bank account upon the drawdown initiation. This procedure is also used for all student financial aid programs. Funds are usually transmitted to the bank by the third business day following the drawdown request. The National Science Foundation funds its programs based upon a reimbursement request submitted by the University. Federal grants, which are passing through the Pennsylvania Department of Education, are remitted to the University on a predetermined payment schedule. Other grants or contracts require that the University submit an invoice to obtain funds due.

Revenue

Revenue is classified by the source such as: a) federal or state appropriations, b) federal, state, or local grants, or c) federal, state or local contracts. Funds received from a grantor are recorded as grant revenue at the time of receipt. Since within the restricted fund, true revenue is recognized only to the extent the grant funds are expended, the excess receipt will be reflected in the University financial statements as "Changes in Restricted Fund Balances" on the Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes. We will not need to post any entries to adjust the revenue in the BFS but we will simply add the expenditures in all funds to determine the revenue amounts within each source category.

Expenditures

The program director or his or her designee initiates the expenditure of the grant funds. Depending on the type of expenditure, the appropriate form must be used. Requisitions for equipment and supplies and requests for honoraria/consultant services will be processed online using the Purchasing System. Travel Request forms and Travel Vouchers, etc. are available from the Purchasing Office. All requests for disbursement of grant funds must be routed through the Accounting Office for review of the appropriateness of the expenditure, and are subject to the availability of funds. As a rule of thumb, a 10 % variation from the approved budget may be allowable. Generally, approved purchase requisitions are encumbered in Purchasing System and turned into Purchase Orders by Purchasing Office. Upon the receipt of an invoice for goods or services, the expense is recorded for the invoice amount and the encumbrance is liquidated, thus updating the budget balance available accordingly. All grant expenditures must be charged to the appropriate expense accounts within the University chart-of-account.

Indirect Costs

All grant proposals must include a provision for indirect cost recovery. The Accounting Office

has negotiated and obtained an approved rate of 44% of personnel costs including fringe benefits from the Department of Health and Human Services. This rate is applicable to all federal programs, and is subject to negotiation and change. Where a grantor does not support the above indirect cost rate, at least 8% of the total grant award must be requested to support University overhead.

Indirect costs are charged to each grant account on a monthly basis by applying the approved indirect cost rate to the expenditures incurred in the previous month. Indirect costs are recorded as a debit to the Indirect Cost account in the grant fund and as a credit to an appropriate unrestricted current fund revenue account code.

Dr (Grant fund)-7770

Cr 1200-49100-5XXX -98

Where 5XXX is the appropriate revenue account for grant and contract.

MISCELLANEOUS GRANT PROCEDURES

Honoraria

Requisitions for honoraria/consultant services can be processed online in the Purchasing System and the Accounting Office will review and approve the requisition for further processing. The Purchasing Office staff will prepare a Purchase Order if the request for services is less than \$1,500, and a Service Purchase Contract if the request is for more than \$1,500. Requests for services requiring a Service Purchase Contract should be entered as a requisition at least six weeks prior to the date of the event. The Service Purchase Contract will be prepared and, after being signed by the vendor, will be forwarded to the Legal Counsel for review and approval. The contract will be returned to Purchasing after the Attorney General has signed the contract and the Purchasing Office staff will forward a copy to the contractor indicating that work may begin. At year end the Purchasing Office will issue a 1099-MISC report to the contractor.

Payroll Records

While the Human Resource Office maintains all employee personnel files, payroll records are kept in the Payroll Office. The payroll record shows the employee's gross pay, payroll deductions and the University's share of the fringe benefits. The total payroll cost for a pay date is charged to the grant account in summary by salary or benefit type referencing the pay period ending date. The Accounting Office does not maintain additional payroll records for any grant programs for which the payroll expenses are directly charged through the Payroll System. If journal entries are used to record payroll expenses, such entries and the backup document will be a part of the grant program file.

Cash Advance

A cash advance can be requested in order to carry out a grant related activity. A request for a cash advance should be submitted by online requisition in the Purchasing System stating the purpose of the activity, date, amount, and the person responsible for the funds. The cash advance will be posted in the grant fund as follows:

Dr. (Grant fund)-
Cr (Grant GL account)- Cash

Upon receipt of the accounting of the use of the advance fund, journal entries will be posted to charge the appropriate expense and credit the advance. Money left over must be credited to the advance account.

Note that travel advances and payroll advances are charged directly to the specific grant account and the Student Services Payroll Advance account respectively and not to the General Operating account.

Interdepartmental Charges

Interdepartmental charges for food, printing and duplicating, telephone, the use of University vehicles, postage and storeroom supplies are posted to the University Accounting and Budget System by the Budget Office. Copies of grant invoices are forwarded to the Accounting Office for verification prior to being posted. Grant Program Directors should review, sign, and forward the invoices to the Accounting Office noting any discrepancies to be resolved.

Insurance

The Commonwealth of Pennsylvania and its agencies are self-insured. The purchase of insurance is not allowed in most instances. The Commonwealth covers two main categories of insurance:

- a) Property Insurance is covered under the Pennsylvania State Insurance Fund that provides up to \$1M of coverage. The State also carries a commercial insurance that covers claims in excess of \$1 and up to \$125 M.
- b) Liability Insurance is covered by the Tort Claims Liability. Claimants must prove that the liability arises from the negligence on the part of the State. Vehicle insurance falls under this category.

In addition, the state also carries the Boiler Insurance, which covers the inspection of boilers or damage due to explosions, etc.

Insurance for accident and injury to University students should be the responsibility of the parents. The University may obtain insurance through the Bureau of Risk Management only if it is required and funded by the granting agency. Currently, the Migrant and Upward Bound programs have been authorized to purchase insurance.