

# **I. Introduction to Accounting for Grants and Contracts**

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## **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:*

- the role of SPA in grant/contract administration
- how project numbers for grants and contracts are set up in the general ledger
- federal circulars A-21, A-110 and A-133
- facilities and administrative costs
- effort reporting
- who is responsible for monitoring expenses on grants and contracts
- how SPA bills a sponsor for expenses
- what cost share accounts are and how they are funded
- faculty summer contracts on sponsored projects
- how deficit account balances are resolved

## **B. The Role of SPA**

1. Fiscal administration of grants and contracts includes: 1) establishing new project accounts on the general ledger; 2) setting up and monitoring budgets; 3) reviewing payment requests for subcontractors; 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 A-133 audit; and 10) closing out accounts when a grant/contract is complete.
2. Staff in SPA also act 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 graduate students; and 3) the Human Resources and Payroll Office to ensure that salary charges to sponsored funded projects are accurate.

### C. 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 final fiscal reports and project reports (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 limit reimbursement to actual costs incurred.
  - b. Fixed price agreements provide a fixed dollar amount, regardless of actual expenditures, as long as deliverables are accepted by sponsor.
4. The grant and contract project range on the general ledger is 30000 – 39999 and C0000 – C9999.
  - a. Federal grants and contracts are assigned to project range 30000 – 32999.
  - b. State grants and contracts are assigned to project range 33000-35999.
  - c. Private grants and contracts are assigned to project range 36000-39999.
  - e. Cost Share projects for grants and contracts are assigned to the project range C0000-C9999. The last 4 digits of a cost share project number matches the last 4 digits of the grant funded project number. For example, the cost share project for federal project 32500 would be C2500.

### D. Setting Up a New Grant or Contract

**Key Word:**

*Sponsor*

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

To determine who the [SPA](#) representative is for your division or college, refer to the Controller's Office web page: <http://finweb.rit.edu/controller/sponsored/>

- a. Special department numbers using the last two digits of the department account number are reserved for principal investigators. 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

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

- b. If required, SPA sets up a *cost share* project to track cost share expenditures and funding.
- c. SPA sets up the budgets for the award and the cost share accounts based upon the information provided to and approved by the sponsor.
- d. Each time SPA invoices the sponsor for grant/contract expenditures, the appropriation (revenue) is credited to the grant/contract account. An example of a revenue line on a federal award is:

01 . 63150 . 52000 . 00 . 32500 . 00000

- e. If a sponsor has assured RIT that funding will be forthcoming, SPA will assign a project number on a *contingency* basis upon receiving a written request from SRS. This allows the PI to expend funds directly on the contingency account.
- SPA will change the designation on the project account when the official award notice is received.
  - 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.

2. Once the project account is established, SPA and SRS conduct a *Project Initiation Meeting (PIM)* which includes the review of fiscal administration and sponsor requirements of the grant or contract.

**Key Words:**

*Cost Share*

*Contingency*

*PIM*

## E. Compliance with Federal Guidelines & RIT Policies and Procedures

1. There are several government circulars that provide guidelines for RIT to follow when administering federal grants and contracts
  - a. OMB Circular A-21 establishes principles for determining costs applicable to federal grants, contracts, and other sponsored agreements with education institutions.
  - b. OMB Circular A-110 provides standards for obtaining consistency and uniformity among federal agencies in the administration of grants and other agreements with educational institutions.

- c. OMB Circular A-133 establishes a uniform system of auditing for institutions of higher education and other non-profit organizations.
2. The PI is responsible for spending grant and contract funds within the guidelines of the budget approved by the sponsor.
3. SPA provides guidance and direction to the PI about RIT policies and procedures and federal *compliance* issues with regard to the fiscal administration of his/her sponsored project.

**Key Word:**

*Compliance*

Refer to the [Sponsored Programs Accounting](#) section of the Controller's Office web page: <http://finweb.rit.edu/controller/sponsored/> for detailed information about [Grant and Contract Post Award Administration](#).

## **F. Facilities and Administrative Costs**

1. Facilities and Administrative costs (F&A) specifically relate to RIT central administrative services and general institutional costs such as heat, light and power, etc.
2. F&A rates are negotiated with the federal government's department of Health and Human Services (DHHS).
3. A signed agreement that establishes the allowable rates for reimbursement is entered into between RIT and the federal government.
4. F&A expenses are part of the approved grant/contract budget and the grant sponsor will reimburse RIT for F&A expenses incurred on the project.
5. During each month end closing, SPA runs a process in the general ledger to calculate the F&A costs and charge the expense 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 federal grant 32500 during a particular month were \$5,000, the F&A expense assessed on project 32500 would be \$2,025 (5,000 X 40.5%).
  - b. F&A expenses are charged to the federal project on object code 90345.
6. While F&A return policies vary, RIT typically shares F&A reimbursements with the Division or College.
  - a. SPA returns F&A annually on multi-year awards. The remaining share of the College or Division's F&A is returned during the project close-out process.

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. OMB Circular A-21 states that a statement must be signed verifying that salaries and wages charged to sponsored agreements as direct charges are reasonable in relation to the work performed.
2. RIT follows the after-the-fact reporting method. SPA prepares and distributes Quarterly Monitored Workload Reports (QMWR) for each federal grant/contract to PI's for certification.
  - a. QMWR's provide details of salary charges to sponsored projects and any related cost share project for the preceding quarter.
  - b. The PI (or an individual with direct knowledge of the grant/contract activity) must sign the QMWR and return it to SPA to be filed in the grant/contract file.

### H. Monitoring Expenditures on Grants and Contracts

1. Department administrators or PI's are responsible for monitoring expenses charged to projects including grants, contracts, gifts, special project and designated fund accounts. Various Oracle reports are available to assist departments with tracking project revenue and expenses.

Refer to Accounting Practices, Procedures and Protocol Manual, Chapter XI for information about Oracle FSG and Standard reports.

Refer to Lessons 2, 3 & 4: Request and Print FSG and Standard Reports in the General Ledger Section of the Oracle Training Manual.

#### Key Word:

**Subcontractor**

2. In addition, SPA reviews certain transactions such as manual salary adjustments, foreign travel on federal grants, and payments to *subcontractors* prior to processing to be sure that expenses are allowable and that there are sufficient funds available.
  - a. SPA will contact the department administrator or PI if they have a question about a transaction.
3. 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.

## I. 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 mailed to the sponsor, SPA 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 . 63150 . 04074 . 00 . 32500 . 00000  
Credit:   Federal Appropriation (Revenue)  
          01 . 63150 . 52000 . 00 . 32500 . 00000

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

## J. 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 is established).
2. Cost share expenses must meet criteria as specified in OMB Circular A-110 (i.e., verifiable, necessary and reasonable, allowable, etc.) and must be approved in advance if funded by Institute funds, or the cost share amount exceeds \$50,000 from departmental funds.
3. The most common type of cost share is a PI's salary.
  - a. The PI completes an EAF, including the appropriate signatures, to charge a percentage of his/her annual base salary to a sponsored project.
  - b. Through the payroll process, salary expenses are charged directly to the sponsored project specified on the EAF. Note: fringe benefits and ITS charges are automatically assessed on the grant based upon the salary expenses and percentage of effort.
  - c. Once per quarter, SPA prepares a transfer journal entry to move funds from the PI's home department to the grant/contract cost share project.

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

### **K. Summer Contracts**

1. According to OMB Circular A-21, 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, with sponsor approval, they may be entitled to work on their sponsored project(s) during the summer quarter.
2. According to RIT policy, beginning in fiscal year 2008, 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.
3. The amount actually paid is based upon the percentage of effort expended by the individual during the summer quarter (second week in June through the third week in August) and paid over 6 pay periods (June 15<sup>th</sup> through August 31<sup>st</sup>). A faculty member who expends 100% over the summer quarter effort may earn 26.3% of his/her prior year academic year salary.

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

### **L. Closing a Project**

1. Three months prior to the end of the award period, SPA will send an end date letter confirming the end date, available balance, and informing the PI of any actions that may be required during this period.
2. Once all expenses have been processed, SPA will send a final invoice to the sponsor.
3. Once final payment has been received from the sponsor, SPA will process an entry to return a portion of the F&A received from the sponsor based on University's F&A distribution policy.

4. If there is a surplus balance remaining on a fixed price contract, SPA will return the amount to the PI's designated project account.