Grant and Contract Closeout Policy
(Revised 1/1/2014)

Background

The University enters into a number of grants and more commonly contracts that provide for a price that is not subject to any adjustment on the basis of the University’s actual costs. In a manner consistent with FAR 16.202-1, the University accepts the responsibility of bearing the costs required to perform the services called for in such agreements and any resulting surplus or deficit accrues to the University.

This policy and the related procedures are designed to work in conjunction with the University’s revenue recognition and Time and Effort certification procedures to ensure that revenues, expenses and fund balances are accurately stated in the University’s financial statements.

Purpose

The purpose of this policy is to create methodologies to confirm that residual balances meet the definition of unrestricted funds as established by the Governmental Accounting Standards Board (GASB) and are eligible to be closed out and classified as unrestricted funds.

Consistent with Federal law and Generally Accepted Accounting Principles, once a grant or contract is complete, all liabilities are satisfied and the residual balance has no restrictions, the residual funds are classified as unrestricted funds. Furthermore, in order to be compliant with OMB A-21 and the University’s DS-2, these funds must be closed out before they can be used to fund unrelated activities.

Policy

Residual balances resulting from completed grants and contracts may be transferred to department and school level unrestricted funds that may be spent as discretionary funds in accordance with state laws and University policies.

In order for residual balances to be transferred, all revenue must be billed, collected, confirmed as unrestricted and all time and effort certified. In addition, grants and contracts (such as Clinical Trials) that have end dates that cannot be determined with reasonable certainty, must be certified using additional criteria specified later in this policy and procedure. Any refund requests arising subsequent to grant and contract closeout and residual balance transfer will be the financial responsibility of the applicable school or administrative division.
Indirect costs will be applied to any residual surplus or deficit that exceeds $10,000 using the rates in effect for each individual grant or contract.

EXCEPTOIN: Indirect costs will not be applied on Federal grants and contracts that are reported on the Schedule of Federal Expenditures (Schedule 8). These are not true indirect costs within the context of OMB A-21 and these costs should not be reported on the Schedule of Federal Expenditures.

**Fixed and Service Based Contract Closeout Procedures**

Fixed priced and service based contracts have a pre-defined term, normally one year. The rates in these contracts are not subject to any adjustment on the basis of the University’s actual costs.

1. At least six months after the end of the fiscal year close, Accounting Services will identify fixed and service based contracts and compute the residual balance.

2. Accounting Services will confirm that all billing are complete and all funds have been collected.

3. Accounting Services will prepare the journal entries necessary to record the close out entries.

4. These journal entries will be distributed to the schools for review.

5. Business Manager will confirm that
   - All Revenue has been Earned
   - There are no restrictions on the use of the residual funds
   - All Time and Effort Certifications are Final

6. After the applicable Business Managers have approved, the journal entry will be posted.

**Small Dollar Residual Balance Closeout Procedures**

Small Dollar Residual balances are grant and contracts that have a surplus or a deficit of less than +/- $2,500. To be eligible for small dollar closeout, grants and clinical trials must have had no activity in the prior fiscal year. There will be no indirect costs on small dollar residual balances.

1. At least three months after each fiscal year close, Accounting Services will identify contracts that have surplus or deficit balances less than +/- $2,500 and have had no activity for one fiscal year.
2. Accounting Services will confirm that there is no outstanding AR related to each contract.

3. Accounting Services will prepare the journal entries necessary to record the close out entry.

4. The journal entry will be distributed to schools for review.

5. After the applicable Schools have approved, the journal entry will be posted.

“Old” Residual Balances

Consistent with 2 CFR §215 (OMB Circular A-110) Section 53, grant and contract residual balances that have had no activity for the current year plus the prior three fiscal years can be closed out without certification. If any litigation, claim, or audit is started before the balance is closed out, the grant or contract cannot be closed out.

1. At least three months after each fiscal year close, Accounting Services will identify grant and contracts that have had no activity in the current year plus the three previously fiscal years.

2. Accounting Services will confirm that there is no outstanding AR related to each grant and contract.

3. Accounting Services will prepare the journal entries necessary to record the close out entry.

4. The journal entry will be distributed to schools for their review.

5. After the applicable Schools have approved, the journal entry will be posted.

Grant and Clinical Trial Close Out Procedures

The procedures outlined below are to be used for any grant or clinical trial that does not meet the expedited close out procedures described earlier in this policy.

1. Business Manager or Account Custodian will ensure that accurate billing information is collected. In cases where Accounting Services (Billing and AR or Sponsored Projects) is responsible for invoicing, the billing information will be submitted to Accounting Services in a timely manner.

2. Where applicable, Accounting Services will ensure that the terms and conditions of the grant or contract are accurately applied and a true and correct invoice submitted to the sponsor in a timely manner. In cases where the billing is done at
the department level, the Business Manager will ensure that the terms and conditions of the grant or contract are accurately applied and a true and correct invoice is submitted to the sponsor in a timely manner.

3. Business Managers will ensure that all direct expenses incurred to complete the grant or contract are charged in accordance with OMB Circular A-21, the University’s Time and Effort Certification Policy and the University’s Cost Transfer Policy.

4. Business Manager will close out all associated requisition, purchase orders, pre-encumbrances and encumbrances.

5. Business Manager will complete the Grant and Contract Closeout Request Form. This form will be signed by the Business Manager and the Department Head.

6. Business Manager will complete the Grant and Contract Closeout Certification form. This form will be signed by the Principal Investigator, the Business Manager and the Department Head.

7. Business Manager will prepare a journal entry to move the residual balance. An electronic copy of the journal will be sent to Accounting Services.

8. The Grant and Contract Closeout Request Form, the Grant and Contract Closeout Certification form, the journal entry and any supporting documentation will be forwarded to the applicable Associate/Assistant Dean for Fiscal Affairs.

9. The Associate/Assistant Dean for Fiscal Affairs for the applicable school will review and approve the Grant and Contract Closeout Request Form. If the form or supporting documentation is found to be inadequate, it will be returned to the Business Manager. Once complete, the form, certification statement, journal entry and any supporting documentation will be forwarded to Accounting Services.

10. Accounting Services will review and approve the Request for Transfer of Residual Balance form. If the form or supporting documentation is found to be inadequate, it will be returned to the applicable Associate/Assistant Deans’ Office.

11. Accounting Services will match the transfer request, the certification form, journal entry and supporting documents with the electronic copy of the journal entry if necessary.

12. Accounting Services will compute the indirect costs on the residual balance and will modify the journal to include the indirect costs.
13. All requests to transfer residual balances for grants and clinical trials will be reviewed and approved by the Director of the Office of Research Services. If the form or supporting documentation is found to be inadequate, it will be returned to Accounting Services.

14. All residual balances exceeding $50,000 must be approved by the Executive Director of Accounting Services. If the form or supporting document is found to be inadequate, it will be returned to Accounting Services, the Associate/Assistant Dean’s Office or the Business Manager.

15. Once all reviews and approvals are complete, Accounting Services will post the journal entry and forward a copy of the approved closeout certification to the business manager for their records.

**Certification Criteria**

In order for a residual balance to be transferred, the following criteria must be met:

1. All services and deliverables contained in the award notice or contract have been completed.

2. The grant or contract is a fixed priced or fixed fee (fee for service) agreement and is not subject to any adjustment on the basis of the University’s actual costs to perform the services required by the agreement.

3. The sponsor does not have any restrictions on the use of residual funds.

4. All financial obligations of the grant or contract have been met.

5. All revenue earned under the terms and conditions of this grant or contract have been billed and collected.