

Account Management Guidelines for SPS Funds **(46010000)**

Summary

In order to achieve maximum utilization of Purdue resources, the Account Management Guidelines are used as a working document to provide more accurate and timely financial information to appropriate individuals.

Account Management is accomplished through:

1. Account establishment;
2. Account maintenance,
3. Transaction and document management;
4. Cash management; and
5. Closeout management.

Account Establishment

Is a new account required or can funding be added to an existing account?
(Consult Sponsored Program Services (SPS) if unsure)

The following issues should be considered when making this determination:

- Source of Funding - Federal, State of Indiana, Industrial, etc.
- Size of award (dollar amount)/ length (time involved)
- Sponsorreporting/billingrequirements
- Use of existing account - contract support, voluntary support

When establishing a new account the following issues need to be considered:

- Proper classification:
 - Contract support or voluntary support, who administers the funds, refer to Classification, Administration, and Reporting of Nongovernmental [Support \(II.B.6\)](#)
- Other issues to clarify when establishing a new account include
 - Correct mission: research, instruction or other sponsored program
 - F & A: correct rate; on or off campus
- Timely establishment and notification
- Award Documentation - award letter/agreement; confirmation for Notice to Proceed (NTP); regulatory compliance approvals granted, if applicable; and proposal for SPS accounts (Proposal includes signed proposal submission form (PSF), statement of work, budget and budget justification including breakout for WBSE/sponsored programs (SP), if applicable, and email addresses of the PI and Business Office)

Establishment of SPS accounts

- **Receipt of fully executed award from agency:** SPS will establish the shell of the grant with the income only WBSE/SP. A notification will be sent to the Business Office and PI requesting information to establish the account(s). The grant is established within five business days once fully executed Note: FCOI and regulatory must be approved prior to release of grant.

- SPS staff should use the SPS New Grant Checklist to assure issues related to functional area; reporting; proper F&A rate, base and cost share of F&A; subcontracting plan; credit split; and billing information are accurate. **It is critical that the account be established according to the sponsor agreement at award time in order to comply with the terms and conditions of the award.**
- **Without approved documentation from agency:** For SPS accounts, the Business Office must request a [Notice to Proceed](#) prior to incurring expenses for a project. Upon receipt of completed Form 27 and/or verification from the sponsor's finance office for a University backed NTP, SPS should establish the account within three business days and notify by email the PI and Business Office with the account information. **NOTE: Regulatory compliance approvals must be complete for NTP regardless of backing.**
- **Voluntary support** – account established by either SPS or central master data team, depending on the administration of the account. Complete the [Form 44](#), obtain proper signatures and forward the Form 44 and check to SPS.
- **Cost Share** – If single account cost share is applicable, SPS should establish an WBSE/SP with the appropriate internal fund and budget on the source provided by the business office. For questions on cost share processes, consult the [Cost Share Guidelines](#).

Website addresses

- Request for [Notice to Proceed](#)
- [Sponsor Prior Approval Guidance](#)
- [SPS New Grant Checklist](#)

Account Maintenance, Transaction, and Document Management

Every effort should be made to charge the appropriate account in order to minimize the processing of correcting documents.

A. Department Account Set-Up

- Confirm Coeus budget agrees with sponsor award (include cost sharing, if applicable). This should also be done with each change in budget (example, addition of year 2 funding or supplemental funding).
- We suggest that Business Offices use the [Departmental New Account Set- Up Checklist](#) when setting up a new WBSE/SP.
- When providing account setup information, business office staff should utilize the budget template to provide the information.
- Special attention should be given by SPS and Business Office staff when transitioning from a project on NTP to approved award status to assure budget is accurate.
- Business Office staff should confirm the account has been established according to the award documentation and the multidisciplinary credit split is accurate.

B. Department Transaction and Document Management

- Business Office staff should confirm charges are being posted appropriately at various stages of the project. The following are examples of items to review:
 - F&A costs are being charged at correct percent and base.
 - Grad fee remits are being charged if appropriate.
 - Effort expended is consistent with proposed amount. If a variation exceeds sponsor

guidelines, appropriate steps are taken to assure there is not a change in scope of work and determine if sponsor approval is needed.

- Sponsor approvals are obtained if budget line item variations exceed guidelines.
- Cost sharing is being charged appropriately, if applicable.
- Subcontract expenses are being posted, if applicable.

Note: Special sponsor requirements may necessitate frequent monitoring of expenditures.

C. Procurement and Account Management

Purchasing requisitions, purchasing card procurements and ZV60's should be reviewed for correct account numbers, correct general ledger (G/L) account number, funds available, allowability, allocability of the charge and posting within project period, before approval. An authorized signature for the account should also be included with the purchase, whether that be the PI or someone that has been delegated signature approval.

Review should be completed by the person with the appropriate signature delegation.

If a commitment is generated in SAP, it is reviewed against the original requisition to ensure correct processing. Commitments should be reviewed and issues investigated within 30-45 days from the date an order has been placed.

Cognos report "Outstanding PO/ Commitments Report" can be used to review commitments.

The following T-codes can be used to review commitments in SAP:

- ZFIR_SRM_OPEN_PO_SUM
- ZFI_BLOCKED_INVOICE
- ZFI_VENDOR_INVOICES
- ZFI_GR_IR_CLEARING
- FMRP_RFFMEP1AX

These T-codes can be used to investigate issues such as the requester has not received the item/product, the product has been received but an invoice has not been submitted to Accounts Payable, or an invoice has been paid but the commitment has not been relieved. Alternatively, a report is run monthly on this data and posted to the [Procure-to-Pay Reports SharePoint site](#). This report should be reviewed on a regular basis by business office staff.

For Procurement related questions please visit [Ariba Resources](#) or contact the Procure-to-Pay Helpdesk by phone 4-7279 or email pshelpdesk@purdue.edu.

D. Review for Allowability of Costs

A thorough review of all charges should occur to assure unallowable costs are not charged to WBSE/SP's. This review should include the following:

- Pre-award costs are charged in accordance with sponsor guidelines
- Post expiration costs are not allowable

Allowability of costs should also be reviewed according to the following guidelines:

- [Purdue CAS guidelines](#)
- Specific Sponsor guidelines (see award documentation)

E. Maintain Allocability Supporting Documentation

The department's procurement process should include documented academic approval for the purchase. This documentation can be on a departmental request form, Form 12 or whatever format best suits the department. This documentation serves as the proof of allocability and should be retained for three years past the close of the project.

F. Verify Appropriate Signature Approval

If signature approval by the PI is delegated, an appropriate [authorization form](#) for each project account should be completed and maintained with the project account or at a central location within the business office. The form must be completed by the PI and should verify who is authorized to purchase on the account.

The authorization form should include: PI name, project account title, fund, WBSE/SP, date of form completion, list of individuals authorized, any restriction on what an individual can purchase (dollar limit, capital equipment), and any other restrictions on the WBSE/SP. Email documentation may be used in lieu of the form, as long as the required information is included. The authorization forms should be retained in the business office through the retention period of the project.

Each purchase request should be reviewed for the appropriate authorizing signature. (The signature could be on the department request form or the Form 12 itself, depending upon the department system.) If the requestor doesn't have firsthand knowledge, they should verify that appropriate allocability documentation (email, etc.) is included as back-up.

G. Maintain Appropriate Balances

It is the responsibility of all areas to ensure overdrafts are managed appropriately.

The total cost available balance for Sponsored Program WBSE/SP's should not be less than \$0. If the balance falls below \$0, then the following actions will occur:

- SPS staff should review overdrafts monthly and notify the Business Office or take appropriate action such as requesting a [Notice to Proceed](#) when there is continuation of funding.
- According to the [overdraft lock management expectations](#), the Business Office will run the overdraft report at least monthly. The Business Manager will review the report monthly and make arrangements to have the overdraft cleared within the month. Note: this policy is not applicable to Voluntary Support Grant Types.
- Voluntary Support accounts will not be allowed to charge in excess of cash received. Departments will be notified by SPS on a monthly basis of overdraft accounts to determine how to bring the account to zero. If the overage is not cleared or the account placed on a department-backed [Notice to Proceed](#) within one month of full expenditure, the account will be locked.

The following actions are to be taken on overdrafted accounts (whether the account is locked or not):

- Move charges to an appropriate account. Moving a charge from an overdraft account to another Sponsored Program account requires significant explanation. Expectations for satisfactory explanations on correcting documents can be found in the [Correcting Document Guide](#).
- Change demurrage, MERS numbers, etc. to prevent further overdrafting of the account.

- For accounts with multiple WBSE/SP's, if a budget reallocation is appropriate, it should be prepared immediately. If unsure how to proceed with the request, consult the SPS Sponsored Funding Administrator.

H. Records Retention

All business offices are expected to maintain their records in accordance with the University's record retention policy. As a general rule, documentation over and above the official policy should not be maintained. For additional information, consult the [Records Retention Guide](#).

I. Follow Established University and College/School Policies

All funds need to comply with University policies as stated in the [Sponsored Programs Handbook](#).

J. Department Activities - Account Expiration Procedures

In order to meet the 60 day (State of Indiana and Subcontracts) and 90 day (Federal projects) requirement for submission of final financial report and/or invoice, the timely closing of expiring project accounts must be a Business Office's priority. Activities which will help staff meet this expectation can be referenced in the [Department Activities – Account Expiration Procedures](#).

K. Cost Distribution Report

The Cognos Cost Distribution Report should be run on a monthly basis. This report can be used to track cost distribution in the following ways:

- Cost distribution on expired accounts.
- Cost distribution on accounts expiring in the next 120 days.
- Cost distribution that will overdraft accounts.
- Cost distribution on the default account (21010000) plus home cost center not relevant account
- Cost distribution on sponsored accounts with distributions of 12/31/9999.
- Cost distribution by person.

The Department Business Office should be proactive in reviewing cost distributions on a timely basis. Cost distribution errors identified by SPS should be corrected by the Department before the next payroll to allow for proper distribution. Corrections identified should be prepared according to correcting document guidelines. The following links will assist the Business Office with this process.

[Correcting Document Guide](#)

[Cost Distribution QRG's](#)

The following tools provide assistance in account management:

- [AIMS \(Account Information Management System\)](#)
- [CAS \(Cost Accounting Standards\)](#)
- [P-card manual](#)

Prior Approval:

- Definition of and Templates for [Prior Approval](#)
- [Sponsor Guidelines](#)

L. Financial Reports

Post Award receives a monthly Reporting Requirements report. The Post Award Funding Administrator will prepare the required financial report and send the report to the Post Award Senior Manager for

review and signature. The report will be returned to the Post Award Funding Administrator for submission to the sponsor by the due date.

Cash Management

Cash for Purdue University will be managed in a method, which maximizes the University's cash position and at the same time meets federal and/or other regulations. Different aspects of program management contribute to the effective management of cash. These include daily cash management, overdraft management, cash deficit monitoring, grant/contract negotiation, billing and accounts receivable management, and effective communications among University staff.

Sponsored Program Accounts:

A. Cash Handling

All payments received via check, cash, lockbox or electronic transfer must be handled in accordance with the [University Cash handling manual](#). The University Cash handling plan will be reviewed and updated annually. Required separation of duties and internal controls must be established.

B. Cash Balance Review

Since we are now drawing letter of credit funds on a reimbursement basis, letter of credit draws should be completed on a timely basis to protect the cash position.

C. Cash Deficits

Cash deficits should be minimized. Identify and follow up on any projects which carry cash deficits. Cash deficits of over \$100,000 must be reviewed and brought to the attention of the Director of Post-Award for Sponsored Program Services (SPS). Other cash deficits should be followed up beginning with the largest deficits.

D. Academic Staff

Academic staff will fulfill the project reporting requirements. In situations where this does not occur and there is an impact to funding, appropriate administrative action is necessary to assure that reporting requirements are met.

E. Account Management Reports – Cash Deficits

Cash deficit reports will be generated monthly for management review. The responsible manager for each area will review the report, and projects which do not meet the criteria in Section C above will be brought to their supervisor's attention. Any other situations, which are problems, will also be brought to the attention of the supervisor. Deficits in excess of \$100,000 that will not be resolved within the next 30 days will be brought to the attention of the Director of Post Award for SPS.

F. Account Management Reports – Accounts Receivable

Aging reports will provide necessary information regarding delinquent accounts. The SAP system will generate monthly-automated emails to sponsors with outstanding receivables between 60-120 days. SPS Funding Administrators will utilize the Aging report to manually send out notices to sponsors with outstanding receivable over 120 days. The Aging Report is used by the managers to review the grants with the Funding Administrators to determine what actions should take place per the Collection of Sponsored Funds Guidelines.

G. Grant/Contract Negotiation

- For non-federal agreements, a payment schedule will be negotiated to provide an **initial or advance payment**, if possible. Agreements will be reviewed to determine if straight-line payments are appropriate or if the payment schedule should be adjusted to reflect projected spending patterns including large start-up costs. Billing schedules with specific due dates will be established as a part of the payment provisions. All payments should be negotiated and made in U.S. dollars.
- Billing requirements should be kept as simple as possible. It must be emphasized that accounts are audited by State and Federal auditors on a regular basis and that records are on file for any other audits. Supporting documentation is on file at the University and should not be required to be submitted with each billing.
- Agreements with non-federal sponsors will include interest language like the following “Purdue University may charge interest at the rate of X percent (X%) per annum on any amounts owed under this agreement that are not paid in full by the due date.”

H. Billings

The invoice process will begin when a project is set up and the payment terms and schedules are reviewed. Billing information is then entered into the SAP system. All awards not funded via letter of credit or paid in full must have a billing set up in the SAP system. Once the billing data has been entered into SAP the system can automatically generate accounts receivable entries in the University accounting system.

Billings are set up in SAP when the Grant is established. Account Management staff are responsible for generating billings on a monthly basis by the fifteenth working day of the month unless sponsor requests a different billing schedule. Due dates for billings will show on the invoice as “due upon receipt”. All advance payment bills are generated and mailed the month before the due date.

I. Collection

Delinquencies will be pursued and collected consistently; following good collection practices, utilizing various University resources when appropriate. At 150 days delinquent, if SPS determines it is appropriate, the University Receivables and Collections Office (URCO) may become involved in the effort; however, URCO will become involved earlier upon request.

- Accounts over 60 days past due:
Dunning notices will be automatically generated and sent to the sponsor. If it is determined that work on the project has been delayed or other actions are required by the University, the Sponsored Funding Administrator will be responsible for coordinating resolution of the issues between the Sponsor, Post Award Senior Manager, the Business Manager, and the Principal Investigator. The Post Award Senior Manager will handle cash flow problems will develop and recommend a payment plan for the outstanding receivable and review it with the Director of Post Award for his/her approval.
- Accounts over 90 days past due:
Dunning notices will be automatically generated and sent to the sponsor.
- Accounts over 120 days past due:
An Aging report of the outstanding receivables over 120 days past due identifying accounts that require Purdue actions and those with cash/billing issues will be sent to the Director of Post Award. She/he will determine if the Business Managers and the Principal should be notified of the sponsors with cash/billing issues. If so, the appropriate RA Specialist or Manager informs the

Business Manager and the Principal Investigator of the sponsor's delinquent payments.

Based on the information known about the outstanding receivables it may be decided that the Principal Investigator contact his/her Program Manager at the sponsor to determine why payment has not been made.

- Accounts over 180 days past due:
An Aging report of the outstanding receivables over 180 days past due identifying accounts that require Purdue actions and those with cash/billing issues will be sent to the Director of Post Award for SPS. The Director will work with the Post Award Senior Manager to determine how the account should be handled. Actions may include locking the account or termination of the project due to nonpayment.

The Director of Post Award and the appropriate Post Award Senior Manager will review contract for interest language; if language is present, it will be determined if interest will be calculated on the outstanding payments and pursued for payment.

It will also be determined if referral to URCO or Purdue Legal Counsel is appropriate for those delinquencies that are not a result of actions required by the University. If referral is appropriate, copies of the file and correspondence will be sent to the appropriate area accordingly. Upon review of the file and documentation, URCO or Purdue Legal Counsel will either attempt telephone contact, send out an initial collection letter, or send out a final demand letter to the sponsor. If sent to URCO, within 30-45 days of receiving the file, URCO will report back to SPS to determine if collection agency referral or legal action is appropriate. URCO will coordinate the collection agency referral or legal action as agreed upon by URCO and SPS. URCO will provide periodic status reports to the appropriate SPS staff.

- Write-off:
In accordance with the University's Accounts Receivable Write-off Policy dated October 18, 1999, all sponsored program grants that have been expired for two years with delinquent account receivables will be identified by the Post Award Senior Manager. A list of these grants will be provided to the Director of Post Award for review with the Senior Director of SPS for write-off. This review pertains to both governmental and industrial sponsored accounts.

Grants that have been expired for two years as of July 1st of each year will be identified and reported to URCO in early June. The list will be reviewed and approved by the Comptroller prior to July 31st and communicated to URCO for inclusion in the annual write-off report. Accounting transactions to close the identified grants. Collection activity may continue, even though the account is generally deemed uncollectible and written off the University books.

Close Out Management

It is expected that Business Offices shall complete the following activities:

- Business Offices should have grants ready in the accounting system for closing by 60 days after expiration unless sponsor requires final fiscal reports to be submitted earlier (charges reviewed, overdrafts cleared, post termination charges removed).
- All fiscal reports and final billings will be submitted in accordance with sponsor regulations.

- Accounts will be zeroed in the accounting records within 4 months of project expiration and the status updated to Closed/Closed. If awaiting income the status will be SPS Closed.
- Follow the management expectations set for reporting requirements.
- Sponsored program grants must be closed in accordance with sponsor regulations.
- SPS will submit the financial report/invoice based by the sponsor due date. The SPS staff will contact department business office to confirm that all expenditures have been recorded.

There are many tools which Business Services can utilize to ensure completion of the above expectations:

- [Closing Check List for Department Business Office](#)
- [Closing Check List for SPS](#)

We recommend grants that cannot be cleared/closed within 90 days after expiration and do not have an approved plan be handled in the following manner (all dollar amounts below refer to total costs). The following procedures apply **only** to **external funds**.

1. Overdrafted Accounts:

Overdrafted Grants with Compensation charges only:

- Overdrafts in excess of \$100.00 for **Grants** that have only Compensation charges will always be cleared by the academic department. Once the correcting documents are processed, see "b" to clear any remaining small Compensation balances.
- Grants that have small overdrafts (\$100.00 or less) due only to salary issues (e.g., Grants that have only Compensation expenses, fellowship accounts that have balances due to rounding) **and have no funds remaining** will be cleared to account 320002199. A Journal Voucher (FV50) will be prepared by SPS as follows:

Salaries:

DR: 3200002199 505010

CR: F.XXXXXXXX.02.XXX 505010 (WBSE on grant)

Explanation: To clear remaining overdraft per procedures recommended and approved by Account Management Guidelines.

Overdrafted Grants that have S & E charges

- Grants that are overdrafted and have S&E charges will be cleared by the responsible academic department.

2. Accounts with Cash Balances:

Accounts that have a balance of less than \$5.00, SPS will follow these guidelines for clearing the balance:

- The sponsor has removed the account from their letter of credit funds.
- There is no F&A or cost shown on the account to adjust in closing.
- Non letter of credit sponsors must be contacted to determine if they want the amount refunded. If yes, the balance must be refunded.

- d. If the sponsor does not want the balance refunded, the balance will be cleared as follows:

DR: F.XXXXXXXXX.02.XXX	546445 (WBSE on grant)
CR: 3200002199	546445

Explanation: To clear remaining balance per procedures recommended and approved by account management guidelines.

Fixed Price Agreements (where the University is entitled to retain the funds)

For accounts that have unexpended funds after 90 days (all income has been received and no accounts receivable outstanding; all work, deliverables and reports have been provided; and all expenditures have properly booked to the account) and the University is entitled to retain these funds, the appropriate Post Award Funding Administrator will transfer the balance to the designated department residual account in accordance with [SPS Instruction No. 4](#).

3. Overdrafts and balances that do not fit the scenarios described above will be discussed with the appropriate Business Manager and Post Award Senior Manager in order to achieve resolution.