

**University of North Carolina
Contracts & Grants
Business Process Standards**

Revised June 2017

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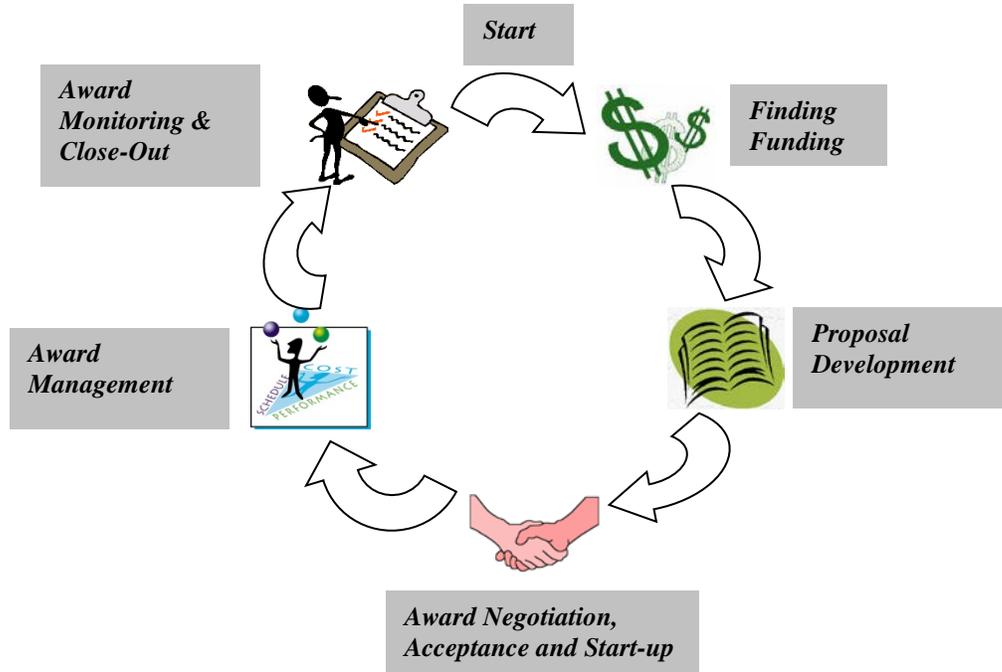
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Introduction

From concept to completion, the contract award process involves various stages as outlined by the diagram below:



Purpose and Scope

The purpose of this document is to provide guidelines for establishing and maintaining the baseline standards for the post-award Contracts & Grants process of the University of North Carolina (UNC) System. This process encompasses the following six sub-processes: 1) Account Setup, 2) Time and Effort, 3) Grant Management, 4) Billing and Drawdowns, 5) Reporting, and 6) Account Closeout. The standards integrate internal controls to ensure compliance with awards from federal, state and local government agencies and private organizations. In addition, implementation of these standards will help meet the University of North Carolina's Strategic Plan (approved by the Board of Governors in January 2017) [goal 1 Student Success] through the high impact practice of undergraduate research experiences, [goal 4 Economic Impact and Community Engagement] increasing research revenue and [goal 2 Affordability and Accessibility] maintaining operational and financial efficiency to benefit the University's research mission.

This document applies to all sponsored projects within the University of North Carolina (UNC) System, with a particular emphasis on Federal awards while recognizing the diversity of sponsors and associated requirements. Further, the

document assumes the successful completion of the Pre-Award stage (from identifying funding and proposal development and submission, through successful negotiation and acceptance of the award as well as completion of the regulatory review and approval process).

Mission Statement

The organizational unit responsible for the Post-Award stage is dedicated to enhancing University research and sponsored activity by providing guidance and support services to its various stakeholders during from the grant life cycle from award setup to award closeout.

Stakeholders

The target users of this document include the following units:

1. Pre-Award/Office of Sponsored Research – typically plays a critical role prior to and during the receipt of an award.
2. Post-Award/Contracts and Grants Office – typically plays a critical role once the award has been received.
3. Principle Investigator - has absolute responsibility for the overall conduct of a sponsored project, including all technical, programmatic, financial, compliance and administrative aspects.
4. Colleges/Departments – typically serve as a resource and the first line of support for the Principal Investigator and in larger institutions may have delegated authority for certain processes addressed by the Standards.

Guidance

1. Federal
 - a. Office of Management and Budget (OMB) 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants and agreements, establishes principles for determining the costs applicable to grants, and other agreements and establishes audit requirements for the applicable federal awards.
 - b. Contracts are subject to Federal Acquisition Regulations (see Part 52).

2. Non Federal
 - a. Non Federal guidance includes the Sponsor guidelines/regulations, the North Carolina State Budget Manual, the state-approved records retention schedule and the Institution's administrative policies and procedures.

Key Terms

Throughout this manual, the following key terms may be used interchangeably:

1. "Sponsored Project" and "Award"
2. "Sponsoring Agency," "Sponsor," and "Agency"
3. "Award Number" and "Award ID" (these terms reference the identification given the award by the sponsoring agency)
4. "Account Number" and "Fund Number" (these terms reference the identification given the award in the financial accounting system)
5. "Indirect Cost" and "Facilities and Administrative (F&A) Cost"
6. "Sub-recipient" and "Sub-contractor" (the party with which the University enters a sub-award)

It should also be noted the Post-Award function is referred to as the "Contracts and Grants Office" throughout the manual, although these terms may also be used interchangeably. The Pre-Award function may also be referred to as Office of Sponsored Programs (OSP) or Office of Sponsored Research (OSR). The Pre- and Post-award functions may be organized under a single unit.

Definitions

Advance: A payment made before costs are incurred by the grant recipient.

Compensation: All cash or non-cash remuneration to an employee in return for services rendered for an employer; salary and wages for which a W-2 is issued.

Contract: One of several award mechanisms used to fund University-based sponsored projects. A contract is a document of agreement between a sponsor and the University by which the sponsor agrees to pay the costs incurred for specific services, deliverables or research goals. Typically the methods for conducting the research or delivering services are specified in detail by the sponsor.

Contracts and Grants Office (CGO): Unit within the University responsible for coordinating the processes, applying and

communicating policies, and interaction with PI's, support staff and "outside" University units (Accounting, Budgets, Purchasing, HR) for the financial management of an award. The CGO conducts fiscal review, directs the time and effort reporting process, may manage all billing, drawdown and accounts receivable functions, and ensures timely financial reporting after the acceptance of the award. May be referred to as the Post-Award office or function.

Cooperative Agreement: One of several award mechanisms used to fund University-based sponsored projects. A cooperative agreement is a financial assistance agreement and is used when substantial involvement of the sponsor is anticipated during the performance of the project.

Cost Reimbursement: A payment term for a sponsored project whereby payments are based on actual allowable costs incurred in performance of the work up to an agreed maximum amount.

Cost Sharing: The portion of the sponsored project costs not paid by the sponsor. There are three types of cost sharing:

1. Mandatory Cost Sharing - required either by federal statute or by the established policy of the sponsor;
2. Voluntary Committed Cost Sharing – amount volunteered when not required by federal statute or sponsor policy or amount committed in excess of any such mandatory cost sharing. It is volunteered to demonstrate the University commitment to a project. Voluntary commitments in proposals become required financial commitments if the proposal is funded; and
3. Voluntary Uncommitted Cost Sharing – any amount over and above that which is committed and budgeted for in a sponsored agreement. More specifically, this is either additional time or resources provided by the researcher, which were not denoted in the proposal, towards completing the project. In accordance with OMB Memo M-01-06, this type of undocumented cost sharing does not need to be tracked or reported.

Direct Costs: Items of cost that can be identified specifically with an award or institutional activity/activities with relative ease and a high degree of accuracy that provide programmatic benefit(s) to the award/activity charged. These costs are unlike those defined below as indirect. Factors affecting a direct cost are:

1. Consistent - All costs incurred for the same purpose in like circumstances, are either to be treated as direct or indirect (F&A) costs. According to Subpart E 200.419, this includes consistency in estimating, accumulating and reporting costs.
2. Allowable - the cost is:

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- a. Necessary and reasonable for the performance of the Federal award.
 - b. In conformity with any limitations or exclusions set forth in the Uniform Guidance (2 CFR Part 200) or in the sponsored agreement as to the types or amounts of cost items.
 - c. Consistent with policies and procedures that apply uniformly.
 - d. Documented for review
3. Allocable – The project that pays the expense must directly and proportionally benefit from that cost. A cost is allocable if it is:
 - a. Incurred specifically and solely for the sponsored award
 - b. Beneficial both to the sponsored award and other work, and can be distributed in reasonable approximated proportions.
 - c. Necessary to the overall operation, and is assignable in part to the sponsored award.
 4. Reasonableness – The cost may be considered reasonable if the nature and amount of the goods/services acquired reflects the same action that a prudent person would have taken under the same circumstances in incurring the cost:
 - a. Whether the cost is of a type generally recognized as ordinary and necessary for the performance of the sponsored agreement.
 - b. Has been determined to be reasonable by the individuals concerned, acting with due diligence in the same circumstances
 - c. Has been determined through sound business practices, Federal, state and other laws and regulations; costing policy, and is consistent with established institutional policies and practices

Director of Contracts and Grants (DCG): An individual within the University responsible for the operation of the Contracts and Grants Office or the Post-award function. May also have a dual role as Director of Sponsored Programs in a combined organizational structure or Director of Special Funds Accounting.

Drawdown: A request for funds from the sponsor based on expenditures incurred by the institution, most often associated with federal sponsors. The request is submitted no less frequently than monthly. The request is submitted electronically through a federal web-site and funds are transmitted as an Electronic Funds Transfer (EFT).

Fellowship - An amount paid for benefit of an individual to aid in the pursuit of study or research (IRS Pub. 970: Tax Benefits for Education). Some training fellowship programs, such as NIH “F” and “T” awards, are not normally included in time and effort reporting. Any payments where a 1099 is issued are not normally included in time and effort reporting. These would only be included in T&E if paid through payroll.

Federal Financial Report (FFR SF-425): A summary of expenditure activity submitted to the sponsor as required by the federal award's terms and conditions. FSRs are typically due at the end of each budget period and the end of the project period within 90 days after the expiration date, and may be required at interim times as well.

Fixed Price: A payment term for a sponsored project whereby the total cost of the project is negotiated at the time of award and actual project costs may be less than the agreed to "fixed" price. In this case, the University retains any funds received above the actual cost of the project. The University is at risk should the actual cost exceed the "fixed" price.

Gift: A donation of money, property, or anything of value to the recipient for the recipient's ownership and use. Gifts normally contain only the following elements:

1. If there are any restrictions on use, they are limited to the University, a unit, a program, or an activity.
2. The amount of a gift may or may not bear any relation to the total cost of the program or activity.
3. There are no deliverables and/or reporting requirements beyond routine reporting of results to the donor.
4. Funds may be commingled with funds from other sources within the same accounts for a unit, program or activity.

Grant: A funding source external to the university supporting a project that is research, public service or instructional in nature. More specifically, a grant is one of several funding mechanisms used to fund University-sponsored activities. A grant is a financial assistance agreement between the sponsor and the University to carry out approved activities. A grant is used whenever the sponsor anticipates no substantial programmatic involvement with the University during the performance of project activities.

Grant Officer (GO): An individual within the post-award contracts and grants office responsible for the financial oversight of an award administered within the University by University employees. In larger organizations, this responsibility may rest in a department.

Indirect Costs: Also referred to as facilities and administrative (F&A) or overhead. The general expenses relating to sponsored programs that are incurred for common objectives of the University and therefore cannot be readily identified with a particular sponsored award, an instructional activity, or any other institutional activity.

Internal Controls: A process or processes implemented designed to provide reasonable assurance regarding the achievement of objectives with the following:

1. Effectiveness of efficiency of operations
2. Reliability of reporting for internal and external purposes
3. Compliance with applicable laws and regulations

Office of Management and Budget (OMB): the U.S. Office of Management and Budget is the executive level agency that issues regulations for the administration of contracts, grants and cooperative agreements to federal agencies and recipients. (See 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

Office of Sponsored Research (OSR): Unit within the University responsible for coordinating external funding requests (grants, contracts and other agreements), reviewing, approving and submitting proposals, negotiating and accepting agreements and other award instruments on behalf of the University. May be referred to as the Pre-Award office or function. Also encompasses eRA functions related to database management and proposal submission.

Principal Investigator (PI): An individual assigned responsibility by the sponsor for the programmatic and financial operations and results of an award. Typically this person was the original applicant for the award from the sponsor.

Prime Award: A contract or grant award to the applicant institution that includes sub-recipient(s). In this case, the prime award is issued to the applicant institution, the “Prime Awardee/Prime Institution.”

Program Income: Gross income generated from the activities of the sponsored project. Examples could include fees for services performed under the grant, rental or usage fees charged for use of equipment purchased with grant funds, third party patient reimbursements for hospital or medical services paid from the grant, funds generated by the sale of commodities developed for or paid for from the grant, and patent or copyright royalties.

Regulatory Compliance Officer (RCO): An individual affiliated with the University Research Administration responsible for verifying oversight of regulatory functions of the university – IRB, IACUC, COI, Scientific Misconduct, Export Controls, etc.

Scholarship: An amount paid for the benefit of a student at an educational institution to aid in the pursuit of studies (IRS Pub. 970: Tax Benefit for Education). Scholarships are not normally included in time and effort reporting. Any payment where a 1099, rather than a W-2, is issued is not normally included in time and effort reporting.

Sponsor: An external funding agency which enters into an agreement with the University to support research, public service and instruction, or other sponsored activities. Sponsors can include private businesses, corporations, foundations and other not-for-profit organizations, other universities, and Federal, state and local governments.

Sponsored Project: A project or activity that is research, public service or instructional in nature and funded by a source external to the University. The sponsored project award may be in the form of a contract, grant, cooperative agreement, or other purchasing mechanism.

Note: Refer to Appendix for further guidance on defining sponsored projects.

Stipend: A fixed sum of money paid periodically for services or to defray expenses. Stipend is generally used to describe various kinds of payments including:

1. Compensation paid to graduate assistants (GAs) for services rendered, paid through payroll (taxable). GA compensation is normally included in time and effort reporting.
2. Scholarship and fellowship payments (no services rendered) used for living expenses (non-payroll compensation). These types of payments are not normally included in time and effort reporting.

Sub-award: An agreement whereby the University enlists another organization, the “sub-recipient,” to provide a portion of the outlined scope of work or services to a University sponsored project. An organization is considered to be a sub-recipient of an award when it:

1. Determines who is eligible to receive financial assistance;
2. Has its performance measured against whether the objectives of the sponsored project are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable sponsored project compliance requirements; and
5. Uses the funds to carry out a project of the organization as compared to providing goods or services for a sponsored project of the pass-through entity.

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Subcontract: Agreement for the procurement of goods and/or services necessary for completion of award project.

Time and Effort Coordinator (TEC): Member of the Contracts and Grants Office responsible for maintaining the system for time and effort certification and distributing and collecting time and effort certifications.

I. Account Setup

Executive Summary

The Account Setup function is intended to organize each new contract or grant award in a manner that will promote compliance with the Federal Office of Management and Budget principles and specific sponsor regulations as well as integration with University policies. This process identifies responsibility for key areas for the award among PIs and other individuals and offices within the University. The process includes establishing unique financial funds in the University's financial system for proper expense and receipt accounting and creating schedules for reporting requirements. Key data elements are recorded to promote efficient and effective project management and reporting. In addition, the process verifies that a final determination on the award's involvement with human or animal subjects has been made. The Director of Contracts and Grants, or designated approver, concludes this process by communicating key terms and conditions of the award to the Principal Investigator in the "Award Letter" or other communication, declaring the award available for use by the University.

Baseline Standards

1. Awards are received, reviewed and negotiated/accepted in the Pre-Award Office. Verification of subrecipient eligibility (i.e. debarment) is obtained at the proposal stage and may be verified again at time of award acceptance.
2. Once accepted, the award document and all appendices, proposal, final submitted budget, documentation of all cost share commitments, including from third parties, pertinent notes and other documentation are forwarded to the Contracts and Grants Office (CGO). The documents are then routed to the team member assigned to that department/unit or sponsor.
3. Each new award is assigned to a Grant Officer (GO) (also referred to as a Post-Award Specialist) in the CGO based upon the department or college receiving the award or suitable portfolio assignment based on University needs. A matrix displaying the assignment of colleges, departments or sponsors to the GOs should be developed and should be updated as needed to balance the workload between GOs as departments, colleges or sponsors experience growth. This matrix should be available on the Contract and Grants website and distributed throughout the departments/colleges.
4. The award documents are reviewed for cost sharing, the type of action (i.e. new award, continuation funding or supplement to an existing award,

renewal or a no-cost extension of an existing award), and the type of award (i.e. grant, contract, cooperative agreement or other). Refer to Appendix for guidance on this determination. The original budget, full proposal, pertinent agency communications and history, award documents, and other correspondence and documents must be included.

5. Expenses Incurred Before Fund Establishment (Pre-Award Account or Assumption of Risk)
 - a. Occasionally, expenses will be incurred before the formal award is received. These funds could result from necessary allowable pre-award spending authority or from the late receipt of an award. In these instances, the CGO should require the PI to obtain appropriate documentation to support the request from the Dean or Department Chair identifying an account to which costs can be moved if the award does not materialize. This letter needs to be signed by the Dean or Department Chair showing that he/she agrees to the University assuming the financial responsibility of expenses incurred during this period if funding is not received.
 - b. To establish a financial fund under Assumption of Risk departmental and/or college approval is required for the total amount committed. To minimize risk during the pre-award period, sub-awards or large binding contracts are not generally approved.
 - c. Upon receipt of the approved Assumption of Risk, the CGO completes the award set up.
6. Once the completeness of the award is confirmed, the award setup is then prepared. This process must include at a minimum obtaining a financial fund number, verifying the award is properly set up in the financial system, including budget entry. The Pre-Award Office should ensure any regulatory compliance issues are resolved and communicated to the CGO prior to expenditure of funds.
 - a. An Award Setup Form may be used for the award setup process. The form may also include the Financial Fund Create Sheet (refer to Appendix for Award Setup Form).
 - b. At a minimum, one permanent file should be created for each new award. Contents (stored either in a manual file, accessible online, or a combination thereof) must include:
 - i. Award document (including any negotiation history and relevant agency communications)
 - ii. Full proposal and submitted budget
 - iii. Space for HR information unless stored electronically

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- iv. Space for CGO approvals, notes, emails
 - v. Award setup documents
 - vi. Space for billing/reporting documents unless stored electronically
 - vii. Other materials as specific to the project
7. For those projects that involve the use of human or animal subjects or hazardous materials/RNA/DNA, the award documents must include evidence that there are current approved protocols or other approvals in place as required. The Pre-Award Office should verify that this certification is made and that evidence is kept with the award documentation or is accessible electronically.
8. The completed award documentation is reviewed and approved for readiness to create or modify the fund in the financial system. If the award documentation includes an issue that would impact post-award operations, the DCG should contact the Pre-Award Office for resolution. The Pre-Award Office should ensure award terms carrying post-award implications are reviewed by the DCG prior to award acceptance.
9. The financial fund data entry (for the Banner System FRAGRNT/FRIGITD) is established in CGO including set-up, budget input, and input of the required data elements. The award documents are forwarded to the unit creating the financial fund, which could be the CGO or Accounting, for the remaining data elements and billing. One fund should be used for each grant, including continuation funding, if allowable by the sponsor.
10. Revenue classification in terms of the University's annual financial statements for contract and grant awards is determined by the primary source of funding and the nature of the award. If the award is directly from the sponsoring agency, the revenue is classified in accordance with the type of sponsoring agency (Federal, State and Local Government or Non-Governmental). If the award flows through from another entity, the revenue is classified based on the primary awarding sponsor. For university annual financial statement reporting purposes, additional classification must be applied. Exchange transactions involve the exchange of something of value between the sponsor and the recipient and are reported as operating revenue. Non-exchange transactions involve the university receiving something of value but the sponsor does not receive something of like value. These transactions are reported as non-operating revenue. Following are some examples:
 - a. Exchange Purposes (perform a scope of work and provide technical and financial reports and sponsor shares in research or receives benefit from the research results).
 - i. Operating Federal

- ii. Operating State and Local Government
- iii. Operating Non-Governmental
- b. Non-exchange Purposes (Gifts, financial aid, grants)
 - i. Non-operating, non-capital grants (grants with limited sponsor benefit, student financial aid)
 - ii. Non-operating Other Non-capital grants (gifts)
- c. Capital Purposes (construction projects where university receives ownership)
 - i. Capital Grants

11. Awards from the State of North Carolina with blended funding should be reported based on the proportionality of funding (i.e. 60% federal, report as Exchange Operating Federal).

Note: Refer to Appendix for “Assigning a Source of Funds to Grant Awards” and “Revenue Classification Chart”

Additional information on financial reporting standards can be found in the Generally Accepted Accounting Standards (GASB 33).

See the instructions for the annual North Carolina Certified Annual Financial Report (CAFR), which provides further guidance on reporting subawards from UNC campuses as “Intra-state.”

12. If the award is considered significant or complex, is from a sponsor that is outside the normal funding community for the University or discipline, the PI is new to the University, or has not served as a PI before; or the award has significant cost share, a New Award Meeting with the PI and other interested parties should be initiated.
- a. This meeting should:
 - i. Identify unique issues to the project, including budget alignment
 - ii. Provide an overview of University policies and procedures impacting this project
 - iii. Inform the PI and support staff of educational opportunities across the campus specific to grants/contracts of use in managing the project.
 - iv. Identify sub-award recipients
 - v. Clarify and confirm cost sharing obligations
 - vi. Identify personnel resources that will be used on the grant.
 - vii. Inform the new PI of University specific rules and regulations including a reporting/critical action schedule and policies for managing the grant.
 - viii. Share critical sponsor documents with the PI (refer to Appendix; section III, for the PI Management Checklist).

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13. Once a financial fund has been created and the data elements in the financial system have been populated, notice of the award and any relevant documentation are shared with the PI and all co-PI's.
14. An award file is created as described in 6.b and filed in a manner consistent with the campus records retention schedule.

II. Time and Effort Reporting

Executive Summary

- a. Effort is considered to be the amount of time any individual spends on a specific University activity. This includes time spent working on a sponsored project in which salary is charged directly to a sponsored project fund or contributed (as in cost-shared effort) to the sponsored project. Effort is reported as a percentage of the total time spent on work-related activities for which the University provides payment.
 - i. When an hourly employee is paid from sponsored project funds, the hours are indicated on their normal periodic timesheet, which is maintained in the Payroll office and may serve as time and effort certification. Timesheets may need to be augmented with supplemental documentation if the individual is working on multiple projects.
 - ii. When a salaried employee is paid from sponsored project funds, they must certify their effort through the time and effort reporting process.

- b. Meeting University standards
 - i. The time and effort certifications must account for 100 percent of the salaried employees' work and be certified on a periodic basis. A semester-based reporting cycle is recommended unless a campus deploys an automated T/E application that utilizes a quarterly or annual reporting cycle.
 - ii. To meet University standards, effort certifications must be completed for all salaried individuals paid from or cost sharing effort against sponsored projects.
 - iii. Time and effort certifications are required as evidence of meeting cost sharing requirements when the University has agreed to contribute all or a portion of an employee's time to a sponsored project. Only effort shown through the time and effort certification process may be used for meeting sponsor cost share requirements, unless the individual is an hourly employee. In that case, the time sheet or other supporting documentation or certification must clearly show the individual's effort was contributed toward the project.
 - iv. All institutional activity of the individual subject to time and effort reporting, regardless of funding source should be captured in conjunction with the certification (activities could include teaching, administration, sponsored projects or other). Therefore, time and effort certifications will include both sponsored and non-sponsored activity for the individual.

- v. When certifying effort, the Principal Investigator (PI) and other individuals working on a sponsored project are asked to provide a reasonable estimate and then certify how their time was spent over the months as a percentage. It is critical to the time and effort certification process that the percent of actual time expended is considered when certifying each period.
- vi. The federal government and its auditors are active in their review of requirements regarding time and effort reporting. Audit disallowances are the product of their scrutiny.

Baseline Standards

1. The University shall designate the appropriate staff as overall Time and Effort Coordinator (TEC). In larger institutions, college or departmental personnel may be delegated coordinating responsibilities, with the central office maintaining oversight.
2. If a new award meeting was held as a part of Account Setup (refer to I.10), refer to the proposal or award documents or other resource to note any personnel actions requiring time and effort reporting. If a new award meeting was not held, the Contracts and Grants Office (CGO) or college or departmental personnel will notify the PI of the need to submit Personnel Action Forms (PAFs) for indicated personnel actions.
3. The TEC, or other personnel, will maintain cost share commitments for university personnel as part of the Time and Effort System or other supporting records. This information will be used in monitoring salary expenditures during periodic salary reconciliation.
4. At the end of each reporting period, time and effort certifications are generated by the TEC and sent or released to the department/PI and other individuals working on sponsored projects. The certifications should be released within 45 days of the close of the reporting period. The distribution may be through an electronic system where the distribution hierarchy has been established by the department. These reports contain the actual payroll, shown in percentages, for each employee identified for the reporting period.
 - a. The department/PI reviews the time and effort certifications for employees paid from or cost sharing against sponsored projects. The department/PI requests a time and effort certification for any individual who worked on the project, but did not receive an effort certification.
 - b. Certification is to be made by an employee with direct knowledge of the effort being certified. This will most often be the employee or the PI.

- c. The department/PI is responsible for returning/routing certifications to the TEC/CGO.
5. The TEC or other personnel will review the T/E system or T&E log for outstanding certification at the close of the reporting period.
 - a. As part of their review, the TEC or other personnel, will note where any certified direct time and effort percentages vary between the expected effort (charged salary) and certified effort (actual effort). For differences of >5%, the TEC or other personnel will contact the PI to determine if a new PAF is needed to correct the variance for the upcoming reporting period and may coordinate a journal entry to reclassify salary costs to accurately reflect the percentage of time and effort certified. All journal entry corrections must be processed within 90 days of the payroll period.
 - b. As part of their review, the TEC or other personnel (college or department level) will note where the PI or other named key personnel on federal projects have met less than 75% (>25% variance) of committed effort certified. Where differences greater than 25% are noted, the TEC or other personnel will contact the PI or named key personnel to determine if a journal entry will be needed to reclassify costs or if some additional effort will be certified through cost share. If the estimated combination of paid and cost share effort remains less than 75% of committed effort, the TEC or other personnel will work with the GO to determine additional actions that may be needed to meet sponsor requirements. This step may also occur during the Grants Management stage, in the course of prior approval reviews.
6. Time and effort certifications should be returned within nine weeks of the distribution/release date. For outstanding certifications, the TEC or other personnel will email the PIs, the Chair, and the non-compliant personnel a reminder to complete their time and effort certifications. At that time, the TEC or other personnel may notify the PI and Chair that costs may be disallowed if the effort certifications are not completed. After two additional weeks, the TEC will compile a list of non-compliant personnel, their PI, and the funds affected and forward the list to the Director of Contracts and Grants (DCG).
7. All time and effort certifications should be completed within eight weeks of distribution/release. At the end of nine weeks, for any outstanding certifications, the DCG may unilaterally disallow costs and move uncertified salary costs to a non-sponsored fund.

III. Grant Management

Executive Summary

The Grant Management function includes periodic account maintenance as defined by the sponsor, federal regulations, and campus-specific requirements. The Contracts and Grants Office has the primary responsibility to provide the Principal Investigator with financial management resources and information necessary to effectively manage a sponsored project and to validate that all parties comply with the financial terms of the agreement. In this role, the Contracts and Grants Office is responsible for acting as a liaison between the project directors and Principal Investigators and the agency regarding fiscal matters, including both financial reporting, accounts receivable and financial compliance monitoring. A Principal Investigator has primary responsibility for managing his/her sponsored project funds in a manner consistent with these principles and exercising sound fiscal management. The Principal Investigator is ultimately responsible for expenditure of funds in compliance with all agency, State, and University regulations. The Principal Investigator is also responsible for the programmatic direction of the research project and for initial authorization of all expenditures charged to the award budget.

Baseline Standards

1. Establish Grant Management Responsibilities
 - a. Once the formal award documents are received and processed by the Post-Award Office (CGO) and the financial fund number is released to the Principal Investigator (PI), all parties involved with the award should be made aware of grant management duties for which they are responsible. The Contracts and Grants Office (CGO) should assign the award to a Grant Officer (GO). In addition, distinctive duties not owned by the CGO should be communicated to the PI and Department.
 - b. A Roles and Responsibilities Matrix should be utilized for internal assignments of duties as well as communicating responsibilities to other departments (refer to Appendix for Roles and Responsibilities Matrix Sample).
 - c. A Grant Management Checklist or work process guide should be used by the GO to verify that he/she is following all necessary steps for sponsored project management; including monitoring, approval, and verifications (refer to Appendix for Grant Management Checklist Sample).

- d. In addition, a PI Checklist or instructional/procedure document should be used to provide PIs, particularly new ones, with basic terms and concepts as well as guidance on how to expend funds according to agency, state, federal, and University policies (refer to Appendix for PI Management Checklist Sample).

2. Expenditure Approvals

- a. The CGO, or departmental/college administrator monitors expenditures to verify compliance with applicable rules, regulations and directives. Many types of expenditures related to sponsored projects are handled in the same manner as expenditures for other fund sources and are subject to the same routine processing, reviews, approvals and other controls, including departmental and/or college-level review and approval. A high-level review of these expenditures should be performed every other month by the assigned GO, or designated departmental or college staff using standard reports that identify specific account code expenditures. Additionally, a high level review of awards nearing completion should be performed for late spending.
- b. High-risk Transactions - some types of expenditures related to sponsored projects require a different level of scrutiny to verify fiscal compliance with the award terms and conditions. The GO must review these high risk transactions, which may include:
 - i. Salaries and wages (addressed through Personnel Action Forms)
 - ii. Contracted services
 - iii. New Sub-awards
 - iv. Foreign travel
 - v. Food
 - vi. Scholarships, stipends, and tuition
 - vii. Equipment acquisitions
 - viii. Other expenditures >\$10,000 per transaction
 - ix. All cost transfers (JVs) including salary reallocations
 - x. Research incentives
- c. Salary and Wage Reconciliation
 - i. The CGO is responsible for reconciling the labor distribution report to the CGO's Time and Effort Information System. In the case of a larger institution, this reconciliation may be conducted at the college or department level. This serves to verify what should be charged to the award agrees to what was charged.

- ii. Personnel charges should be reconciled on a monthly basis from the month-end fiscal reports and labor distribution reports. Any discrepancy is researched. If an error has occurred, it is corrected through an update to the Time and Effort records (once verified) or a salary reallocation. When it appears an award is about to expend all of its salary funds, or if an action projects a deficit of more than 10%, the PI is notified by the GO. In larger institutions this review and notification responsibility may be delegated to the college or department.

d. Salary Reallocations

- i. Salary reallocations, or redistributions, occur when an incorrect financial fund number was used to code personnel on the sponsored project. Salary reallocations are also made to correct incorrect or late direct salary charges to a sponsored project. Approval of salary reallocations should follow the approval process for high-risk transactions noted above in section c above and in section 4.c below.

e. Unallowable Expenses

- i. Unallowable expenses may not be charged to sponsored project funds. If through error an unallowable expenditure is charged to a sponsored project financial fund, it must be removed as soon as the error is discovered. This may be accomplished through the use of designated expenditure cost codes to capture unallowable expenditures moved from a sponsored project fund. This applies to both direct sponsored project expenditures and cost sharing expenditures. Allowability of expenditures is determined by University, state, and federal regulations as well as sponsor terms and conditions. Beyond strict allowability, expenditures must be deemed reasonable and allocable to the specific project.

3. Cost Sharing

- a. Cost sharing can either be imposed by a sponsor as a condition necessary to receive the award, or it can be volunteered on the part of the University to demonstrate its commitment to a project.
- b. Once a proposal containing cost sharing is accepted by a sponsor, the commitment is considered a binding commitment upon the

University and may require written approval from the sponsor for any changes to the composition of the total cost share committed.

- c. Once an award is accepted by the University, the PI is responsible for verifying that any cost sharing commitments are met, and that all necessary documentation is provided in a timely manner. The Time and Effort Information System is the system of record to be used to record the obligation of institutional salary as cost share and to document compliance with cost share requirements. This should be monitored throughout the life of the sponsored project, not only at its end. Cost sharing expenditures incurred or services rendered must occur during the period of the award and are subject to the same sponsor guidelines and regulations.
- d. Cost sharing, including commitment of non-salary funds, should be certified annually for multi-year projects, with the PI providing the certification and the GO performing a validation of the reported amounts. The certification should capture all contributed effort, as documented in the Time and Effort reporting system, non-salary support from other University sources, and third party cost share as supported by documents maintained at the PI/department level.
- e. Third party cost share must be monitored by the prime institution as an on-going responsibility of the fiscal reporting. If a third party does not meet its required cost share, it becomes the University's obligation to meet the cost share.
- f. Any shortfall in meeting the committed level of cost share must be reported to the sponsoring agency. The University runs a risk of the sponsor enforcing its requirements and having a proportional amount of the award rescinded.
- g. Cost share contributions can be accepted as part of the recipient's cost sharing when such contributions meet all of the following criteria:
 1. Are verifiable from the records of the PI/institution.
 2. Are not being included as contributions for any other federally-assisted project or program.
 3. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
 4. Are allowable under the applicable cost principles.
 5. Are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.

6. Are provided for in the approved budget when required by the Federal awarding agency.

Note: In cases involving unrecovered indirect costs, they may be included as part of cost sharing or matching only with the prior approval of the Federal-awarding agency.

Note: It is recommended that federal guidelines be applied for non-federal awards for added assurance unless superseded by a more restrictive state or sponsor guideline.

- h. The CGO should obtain and keep on record the PI certified cost share statement and supporting documentation if applicable (refer to Appendix for Cost Share Certification Form Sample).

4. Budget Management

a. Budget Revisions

- i. The award budget is the financial expression of the project or program. Re-budgeting of these funds is subject to appropriate institutional review and approval processes. Sponsors often require prior approval for budget changes involving key personnel, contractual actions, foreign travel and equipment.
- ii. Proposed revisions in sponsored project budgets should be submitted in writing to the CGO for review of the terms and conditions of the award agreement and general cost principals. If the requested budget revision meets these standards, it will be completed. If required by the terms and conditions of the agreement, the CGO, in conjunction with the PI, will submit the request for budget revision to the sponsor. In these cases, sponsor approval must be received to complete the budget revision. The proposed changes and all documentation will be maintained in the award file. Budget revisions should be made in advance of affected expenditures.

b. Cost Transfers through Journal Vouchers (JV)

- i. Written justification is required for any reassignment of an expense if the expense was initially placed against another source of funds and the charge is to be transferred to or from a federally funded or other externally sponsored project. This

reassignment is accomplished by means of the cost transfer process.

- ii. Cost transfers may be appropriate if the transfer represents the timely correction of a simple error or for transfers between sponsored projects provided the projects involve closely related work, and the expense is a proper charge to either project. *Note: Agency approval of these types of transfers is required in some instances and such approval should be evident in agency award documents.*
- iii. Cost transfers are not appropriate to reduce or avoid overruns on other sponsored projects (except as noted above), to avoid restrictions imposed by law or by the terms of an agreement, or for other reasons of convenience.
- iv. Cost transfer requests must be made within 90 days of originally incurring the expenditure. The request must include sufficient justification and necessary supporting documentation. Cost transfers made more than 90 days after the original transaction date are not approved as a standard best practice. If sufficient justification is made, the review must include the appropriate level of management review, as defined by the institution, prior to approval. Inappropriate charges to sponsored agreements must be corrected, regardless of timing.

Cost transfers are never allowable simply because there is funding available in one project and not in another.

c. Expenditures in Excess of Available Funds

- i. If a sponsored project incurs expenses in excess of the total amount awarded or within an unchangeable line item, the expenses(s) must be moved to another financial fund through a cost transfer or if appropriate in very limited cases, additional revenue may be added to the award. If expenses are moved via a cost transfer, the expenses must be moved to another fund to which they would be allocable, not simply because there are funds available. If no alternative fund is available, the department or college is liable for the excess and disallowed expenses. The DCG should contact the department chair or dean for a financial fund number to complete the cost transfer. If additional revenue is being added, the determination of allowability should be made by

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the DCG and should be documented in the Contracts and Grants records for that award.

- d. Summary of Financial/Programmatic Prior Approvals (2 CFR Part 200.407): Prior written approvals are required under Federal awards for allowability, allocability and/or reasonableness in each of the following circumstances:
1. Change in scope or objective of the project or program (even if there is no associated budget revision that requires prior approval)
 2. Change in a key person specified in the application or Federal award
 3. The disengagement from the project for more than three (3) months, or a 25% reduction in time devoted to the project, by the approved project director or principal director (also see Time and Effort Base Line Standards, paragraph 5).
 4. The transfer of funds budgeted for participant support costs to other categories of expense.
 5. The subawarding, transferring or contracting out of any work, unless previously described in the application and funded in the approved Federal award (this does not apply to acquisition of supplies, materials, equipment or general support services).
 6. Changes in the amount of cost sharing or matching provided by the non-Federal entity.
 7. The inclusion, *unless waived by the awarding agency* of individual items of cost that require prior approval in accordance with Subpart E of 2 CFR Part 200
 8. Administrative and clerical staff salaries (in order to be allowable as a direct cost) must be explicitly included in project budgets or have received Federal awarding agency approval prior to charging
 9. The incurrence of supplemental (extra compensation) pay for incidental activities must be either specifically provided for in the Federal award budget or receive Federal awarding agency approval prior to charging
 10. Entertainment costs (amusements, diversions, social and any associated costs that have a programmatic purpose are to be authorized either in the approved budget or receive Federal awarding agency approval prior to charging – these costs are normally indirect
 11. Equipment or other capital items
 12. Fixed amount subawards
 13. Other items of cost as listed in Section 200.407 of the Uniform Guidance

5. Sub-awards

a. Processing the Sub-award

- i. The PI requests approval from the GO or the Pre-Award Office to issue a sub-award (GO or Pre-Award Office verifies funds are available and subrecipient is identified in the proposal.) The PI identifies the scope of work and budget for the subrecipient.
- ii. Prior to the issuance of the sub-award, a determination needs to be made if the subrecipient will be required to provide certification as to the compliance of its institutional policy for Conflict of Interest. If such a certification is required, the subagreement document must incorporate the appropriate language regarding which institution's Conflict of Interest policy will apply to the key personnel associated with the project.
- iii. Prior to the issuance of the sub-award, a risk assessment should be conducted by the CGO or the Pre-Award Office, or both, to determine the appropriate level of monitoring and to ensure monitoring and reporting requirements are incorporated into the sub-award document. The assessment should be conducted from the perspective of the subrecipient organization and may take project information into consideration. The GO or Pre-Award Office collect information on and assurances from the subrecipient, including initial verification of compliance with Federal audit requirements, that will inform the risk assessment and also document due diligence by the campus.
- iv. Subrecipient risk assessments should include consideration of the following characteristics:
 1. Subrecipient is a foreign entity
 2. Subrecipient has audit findings from a previous year or is implementing a corrective action plan
 3. Subrecipient is not subject to the Federal Single Audit requirements; AND
 4. Percent of the prime award flowing to the subrecipient
- v. Additional characteristics of the subrecipient or scope of work may also be considered when conducting the risk assessment.

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- vi. For Federally-funded sponsored projects prior to issuance of the subaward:
 1. Verify the subrecipient's current registration with WWW.SAM.GOV
 2. The CGO or Pre-Award Office should determine if the sub-award will be subject to FFATA reporting (Federal Funds Accountability and Transparency Act). If so, data required to complete the FFATA entry must be obtained from the subrecipient. The subrecipient data must be reported within 30 days of executing the subaward through the www.fsr.gov site.

- vii. Risk assessment tools or instruments that inform decision-making and document the data elements considered should be used to determine the appropriate monitoring plan for individual subrecipients or for individual subawards (see Section A., iv above).. Documentation of the assessment should be maintained within the files of the unit responsible for the assessment function. Appropriate models of risk assessment tools will include the information referenced in Section A., iv above and may be modified to meet campus needs. See model attached as Appendix E.

- viii. The appropriate office (OSR or Legal) prepares the sub-award package for review and University approval. For Federal Awards, the following data elements must be included in the subaward:
 1. Federal award identification
 2. Subrecipient name, which matches its unique entity identifier
 3. Subrecipient's unique entity identifier
 4. Federal Award Identification Number (FAIN)
 5. Federal Award Date
 6. Subaward Period of Performance Start and End Date
 7. Amount of Federal Funds Obligated by this action
 8. Total Amount of Federal Funds Obligated to the Subrecipient
 9. Total Amount of the Federal Award
 10. Federal award project description, as required to be responsive to the FFATA
 11. Name of Federal Awarding Agency, the pass-through entity, and contact information for the pass-through awarding official
 12. CFDA Number and Name
 13. Identification of whether the award is R&D; AND

14. Indirect Cost for the Federal award (including if the de minimis rate is charged)

- ix. Conflict of Interest policy requirements, if applicable, specific monitoring activities, reporting requirements or data collection requirements relative to FFATA reporting are incorporated into the subaward document, in addition to any other special terms and conditions. Subaward clauses should always include audit requirements, records retention requirements and invoicing requirements, including final invoice date. The subaward package is sent to the subrecipient, along with a transmittal letter, for review and acceptance. Once the subaward is fully executed, a full copy of the executed subaward package is provided to the GO and the PI.
- x. Upon receipt of the fully executed subaward, the GO assures the subaward obligation is encumbered or is discretely budgeted within the account system.

b. Sub-recipient Invoices

- i. Prior to payment of sub-recipient invoices, the PI should sign-off on the invoice indicating agreement with progress of work and authorization of payment.
- ii. The final sub-award invoice should include PI certification indicating the sub-recipient has provided all work and deliverables as required by the sub-award prior to payment.

c. Sub-recipient Monitoring:

- i. Based on the risk assessment conducted for the subrecipient entity, an individual subaward or through a sampling technique for campuses with large numbers of subrecipients or subawards, the CGO, Pre-Award Office or other designated staff should conduct monitoring activities based on the level of risk identified in the assessment. Higher risk subrecipient monitoring should include desk reviews, sampling transactions from particular budget lines, sampling cost share transactions and/or regular meetings with the university and subrecipient project teams. A higher level of risk may warrant more robust monitoring plans including training and technical assistance and/or on site reviews.

- ii. All subrecipients should be subject to initial review of the entity's filing with the Federal Audit Clearing House or other financial statement information. Annual verification of subrecipient audits, which should be part of the subrecipient entity risk assessment, must be conducted. The Federal Audit Clearinghouse should be used for single audit review, along with other certifications for the subrecipient as needed. The CGO or other designated personnel must follow up on reported material findings to determine if the findings are relevant to the sub-award and if the corrective plan of action is adequate.
- iii. Adequate project progress – the GO, Pre-award, the College or the Department should have the PI periodically verify adequate project progress on the sub-award.

6. Maintain Contract and Grant Files

- a. The GO will maintain required sponsored project documents for three years after the final financial report is submitted or after settlement of any legal claim or audit, whichever is longer, and in a manner consistent with the institution's records retention schedule. These documents should be organized into a folder, physical or electronic, that includes at a minimum:
 - i. Award document
 - ii. Full proposal, submitted budget and any subsequent budget revisions
 - iii. Space for HR information unless stored electronically
 - iv. Space for CGO approvals, notes, emails
 - v. Award set-up documents
 - vi. Space for billing/reporting documents unless stored electronically
 - vii. Other materials as specific to the project

IV. Billing and Drawdowns

Executive Summary

The awarding document for each sponsored project contains specific requirements for either billing the sponsor or for drawing down (drawdowns) funds from the sponsor (typically from a US Federal Agency) once qualifying expenses have been incurred. Invoicing and drawdowns should be conducted on a routine or systematic basis. In some cases drawdown funds are provided in advance of qualifying expenditures. In these cases, the advanced funds must be applied to the contract or grant fund/account within 72 hours of receipt and any sponsor requirements for treatment of interest earned must be followed. Certain foundations or non-profit sponsors will provide funding in advance of qualifying expenditures in accordance with the terms and conditions of the award. These types of awards should be monitored for timely incremental payment in accordance with the award terms and conditions. All transactions should be vetted for allowability during the Grants Management process (refer to Section III). However, the designated staff member(s) responsible for preparing the invoice and gathering information to support the drawdown request should review the applicable documents for reasonableness prior to submitting the request for payment to the sponsor. Also, because most sponsored projects operate on a cost reimbursement basis, billing and drawdowns should occur as frequently as it is practical or contractually permissible. Unless otherwise restricted by the sponsor, requests for funds should occur no less frequently than once a month. Timely monitoring and follow-up on accounts receivable is required to ensure sponsor obligations for payment are met.

The following standards are written to acknowledge multiple enterprise financial systems deployed across the UNC System. The term "Accounting Database" is used interchangeably with Banner or PeopleSoft.

Baseline Standards

1. During account setup, the billing type (drawdown, advance invoice, or reimbursement invoice) and frequency (monthly, quarterly, other) should have been entered into the accounting database as determined from the award documents. Invoices and drawdowns for the current billing cycle are prepared using these data. For those campuses that have implemented Banner Billing (A/R), it is understood the Accounts Receivable office may prepare and send the invoice.
2. Reimbursement Invoicing:
 - a. Run the project-to-date expense report from the accounting database. The expense report should be examined for project-to-date against billed-to-date information and the difference should be the current amount to be invoiced or drawn. Institutions should

- establish a standard invoice template to be used unless award documents specify the use of a sponsor-specific template, in which case the alternate is used.
- b. Supporting documentation should be obtained and included with the invoice as required by the sponsor and indicated on the award sheet or in award documents. For sponsors that remit payment in the form of a hardcopy check, a second “remit copy” of the invoice should be sent with the original to be returned from the sponsor with the payment.
 - c. The university cashier or the unit responsible for receipt of payment should be provided with a record of invoices submitted to ensure payments received are applied to sponsored project accurately and timely.
3. Drawdowns:
- a. Drawdowns should be requested in accordance with sponsor directed guidelines. Unless otherwise specified, drawdowns should take place no less frequently than monthly. At least once a month the project-to-date expense report should be run for accounts that have drawdown payment terms. The report should be compared to receipts-to-date for these funds/accounts. Awards with significant undrawn amounts should be investigated and may require follow up with the PI to determine project status.
 - b. Supporting documentation should be obtained for the drawdown and retained and/or submitted as required by the agency.
 - c. A designated staff member(s) and a backup should be responsible for performing the actual drawdown from the sponsor’s website.
 - d. After issuing the drawdown request to the sponsor, a copy of the drawdown confirmation should be maintained for review or audit.
 - e. The time elapsed between the receipt of funds requested via drawdown and application/disbursement of the funds received must be minimized and the funds should be applied/dispensed within 72 hours of receipt. Any amounts drawn in advance should be limited to the minimum amount needed and be timed in accordance with the actual, immediate cash requirements.
 - f. The university cashier or the unit responsible for receipt of payment should be provided with a record of invoices submitted to ensure payments received are applied to sponsored project accurately and timely.
 - g. In the case of drawdowns for financial aid functions, campuses should establish coordinated communication processes between the Financial Aid office and the CGO at critical points including: request to draw funds; receipt of funds, disbursement of funds and reconciling adjustments. Establishing communication processes should minimize instances of unsubstantiated cash against the various financial aid awards.

4. Outstanding Receivables:
Monthly, the designated staff member(s) should compile an aging report from the accounting database. The report should be organized to show awards with receivables that are 30, 60, 90, and 120-days overdue. Documentation, including documentation contained in sponsored project files, should reflect working notes and correspondence regarding accounts receivable management and follow-up. The UNC Business Process Procedural Guidance for Collection of Past Due Receivables and Write Offs provides further guidance and templates that can assist campuses with the aging, collections and write off processes. (Refer to Appendix for guidance and templates).
- a. **Invoices 30 days past due:** Past due notice should be issued to the sponsor indicating the receivable is considered delinquent and failure to make complete payment to the institution within 60 days of the invoice date could result in the debt being referred to the State of North Carolina Attorney General for collection under N.C. General Statute §147-86.11(e)(4). For sponsors that are State of North Carolina Agencies, the past due notice should indicate failure to make complete payment to the institution within 60 days of the invoice date will result in the debt being referred to the Office of the State Controller for resolution.
 - b. **Invoices 30-60 days past due:** The designated staff member(s) contacts principal investigator or college research office to determine the status of project deliverables and/or reports. If deliverables/reports have not been submitted by the due date established in the award terms and conditions, collections should be suspended (although regular invoicing would continue) and corrective actions and target date for resolution should be articulated and agreed to between the PI, department chair/dean and the C&G Director or designated staff. The delinquent submission should be monitored until resolved. If deliverables/reports have been submitted by the due date established in the award terms and conditions, the designated staff member(s) contact the sponsor to inquire on the status of the outstanding payment. Following this contact another letter is sent indicating that payment must be received within two weeks of the date of the letter or the debt will be referred to the NC Attorney General or the Office of the State Controller for collection. The designated staff member(s) follows up weekly hereafter.
 - c. If after the 60-day past due notice:
 - i. If at any time it is determined the sponsor has financial problems and is not able to pay, proceed to the 90-day

process below and also refer the project file to the Director of Contracts and Grants or designee for evaluation. Further, in accordance with campus procedures, actions may be taken to suspend additional expenditures and to clear any deficit.

- ii. The sponsor indicates payment has been made; obtain specific information so the receipt can be tracked at the university by the designated staff member(s). Specifically, obtain the check#, check date and exact amount of the payment for check payments and wire date, exact amount of payment, routing number or receipting bank account number for wire/ACH payments.
 - iii. If none of the above conditions exist, proceed to the >60-day process below.
- d. **Invoices >60 days past due:** For uncollected accounts aged past 60 days, for which another North Carolina state agency is the sponsor, the Office of State Controller Statewide Accounts Receivable Management Unit will be notified. For all others, Per G.S. 147-86.11 (e) (4), the NC Attorney General's Office is notified of uncollected accounts aged past 60 days that are greater than \$500. A demand letter from the AG's office is generated for each uncollected account and submitted to the sponsor, with a copy to the campus. The campus will notify the AG's office within 45 days of the demand letter as to the status of payment and the AG's office will provide instruction about disposition of the uncollected account.
- i. The AG Guide for the Collection of Delinquent Accounts Receivable is located at the following URL:
<http://www.ncdoj.gov/getdoc/a4647ec4-5fbd-48df-a425-9e82f6c492d2/Collections-Guidelines-Sept-2008.aspx>.
 - ii. FORM 2: School Accounts Receivable is used for submitting uncollected accounts to the AG's office. The form is located at the following URL:
<http://www.ncdoj.gov/About-DOJ/Legal-Services/Legal-Resources/Collections-Guidelines.aspx>
- e. **Invoices 120 days past due:** The designated staff member(s) should notify the PI and the appropriate college administrators that all expenditure activity may be suspended until further notice and that any account deficit should be cleared in accordance with campus procedures.

- f. The designated staff member should notify the Director of Contracts and Grants or designee of all non-governmental projects with invoices delinquent past 150 days to document all follow-up communication. These accounts would have been referred to the Attorney General's Office at the >60-day threshold. Non-governmental receivables delinquent past 150 days are subject to collection proceedings by a collection agency. The collection agency used will be one currently approved under a State of North Carolina contract. (Refer to Appendix for sample dunning letters).
5. Settling Uncollectable Accounts
 - a. After a receivable is 180 days overdue, or at any time it is determined a receivable is not collectable, the Director of Contracts and Grants should formalize settlement options with the PI and appropriate departmental/college administrators. The financial responsibility for any non-reimbursement by the sponsor of expenditures associated with awards rests with the PI and the department and/or college/school having primary responsibility for the project.
 - b. In the event of such non-reimbursement, the PI, the department and the college/school will be accountable for reimbursement to the University for the unreimbursed expenditures of that specific project. Ultimately, additional resources beyond those available from the department or college/school may be required to resolve the deficit. Campuses should have written procedures to address these situations where the deficit is in excess of the funds available.
 - c. In the event a sponsor pays the outstanding receivable balance after the deficit has been covered from local institutional sources, the funds used to reconcile the deficit will be proportionally refunded.
 - d. Recurring problems with a sponsor or other symptomatic issues regarding non-reimbursement will be reviewed by University official(s) responsible for sponsored projects administration, who will take appropriate measures to address any significant problems. Actions may include, but may not be limited to, suspending further/additional agreements with that sponsor and/or requiring advance payment for any future agreements.

V. Reporting

Executive Summary

The Reporting function is intended to verify that necessary reports are submitted as required by the sponsor, whether it is a federal, state, local, or private institution. Though these requirements vary depending on the sponsor, most federal agencies have similar reporting requirements and often use a standard set of forms (refer to the Roles and Responsibilities Matrix for reporting responsibilities). The Contracts and Grants Office handles the preparation and submission of financial and other reports such as equipment reports or reports of subcontractors on a federal grant. Preparation of programmatic reports, including technical and invention reports, as required by the sponsor, is normally the responsibility of the Principal Investigator. The Pre-Award Office or in larger institutions, the college or department may confirm submission of the final technical report. Meeting such sponsor reporting requirements is critical since it can affect sponsor decisions about payments and the university's accounts receivable and future awards. Reporting requirements vary in frequency, format, due dates, and detail. Coordination and communication among the Contracts and Grants Office, the Office of Sponsored Programs, and the Principal Investigator is critical.

Baseline Standards

1. Identify Reports Due by Award
 - a. When an award is received and processed by the Contracts and Grants Office (CGO) as part of Account Setup (refer to I.4), the financial report type and frequency required by the sponsor is documented in the financial system.
 - b. The Grant Officer (GO) generates a monthly report to identify awards with upcoming reporting requirements.
 - c. The frequency and due dates by which financial and progress reports are due depends on the sponsor.
 - i. Interim - reports may be due at intervals within a budget year, such as monthly or quarterly, for purposes of tracking the financial status of an award as required by the sponsor.
 - ii. Annual – for multi-year awards, reports are typically due prior to or at the end of each budget year depending on sponsor requirements.
 - iii. At project close – a final Federal Financial Report (FFR) is required, for federal awards, 90 days subsequent to the termination of an award. All authorized expenditures and outstanding obligations must be determined and considered

in preparation of this report. The GO monitors this step as part of Account Closeout (refer to VI.4).

- iv. Non-federal sponsors typically require financial and progress reports 30 to 90 days subsequent to the termination of an award. Due dates will vary by sponsor.

2. Types of Reports

- a. Financial reports for Federal sponsors
 - i. The Federal Financial Report (FFR, SF-425) is used for federal reporting.
- b. Financial reports for Non-Federal sponsors
 - i. Non-Federal sponsors specify reporting requirements and often provide a form for the report. Sponsors may or may not require financial reporting outside of the invoices submitted for payment during the Billing and Drawdown sub-process (refer to IV). As stated above, specific reporting requirements should be identified during Account Setup.
- c. Equipment
 - i. Federal Regulations require that property procured with government funds be properly accounted for, used, maintained in good condition and disposed of in accordance with instructions from the sponsoring agency. As such, the Principal Investigator (PI) is responsible for maintaining records of equipment acquired with project funds, including ensuring applicable capital assets are tracked through the University capital equipment inventory process. Further, the PI should also require sub-contractors to employ the same standards for treatment and reporting of equipment and the Pre-award office or unit responsible for creating the subagreement should include the appropriate flow down terms and conditions regarding equipment. The CGO will review and approve equipment expenditures (refer to III).
- d. Technical
 - i. The PI should maintain copies of technical reports and the Pre-award office should maintain evidence of submission of the technical report to the sponsor. The CGO should confirm with the Pre-award office that this information was submitted to the sponsor in researching outstanding accounts receivable (refer to Section IV.4).
- e. Invention
 - i. Inventions are disclosed at the time of discovery. The PI and the Technology Transfer Office should maintain copies of these disclosures. The CGO should confirm with the PI that this information was submitted to the sponsor through the account close out certification process.

3. Elements of a Financial Report
 - a. A financial report requests basic elements including award identifiers (e.g., grant number and sponsoring agency) and the reporting period over which spending occurred. The GO should populate these elements based on information from award documentation (refer to I.6).
 - b. The main purpose of a financial report is to document the detail of expenditures for the award. All authorized expenditures and outstanding obligations must be determined. The GO should consider the following specific transactions when preparing the report:
 - i. Expenditures – should be reviewed for allowability and compared to the budget to identify any unplanned variances.
 - ii. F&A Rate – rate, base, and total charges should be compared to the information from the award documentation to verify agreement to the terms and conditions of the award.
 - iii. Cost Sharing – if applicable, should be verified with the PI and be consistent with the information provided on the award documentation during Account Setup.
 - iv. Program Income – should be consistent with the information provided on the award documentation during Account Setup and reviewed for allowability based on the terms and conditions of the award.
4. Responsibilities
 - a. While the CGO, and in some cases other university offices, are responsible for submitting financial reports, the PI is responsible for timely submission of all required documentation to the sponsor, the CGO or other University offices during the award period, including cost sharing and effort certification, in order to submit timely and accurate reports. To accomplish this, the PI should have access to detailed financial records and equipment inventory for the award at his/her department. These records are to be utilized throughout the reporting process and when performing any other required administrative duty as requested by the CGO.
5. State Single Audit Reporting
 - a. UNC campuses respond annually to the NC Office of the State Controller with the reporting package for the state single audit. The reporting package includes the Schedule of Expenditures from Federal Awards (SEFA). Total DIRECT federal expenditures for the fiscal year being reported are included in the SEFA. Expenditures of flow through federal awards received from non-State of NC entities ARE included in the SEFA. Expenditures of flow through Federal awards from other UNC campuses, NC Community Colleges or State of NC Agencies ARE NOT included

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on the SEFA. UNC campuses are required to list total direct Federal expenditures and expenditures of subawards issued under direct Federal awards. The CFDA number associated with the Federal funds is critical to SEFA reporting. The CFDA number should be recorded in the financial system for reporting purposes.

VI. Account Closeout

Executive Summary

The purpose of the Account Closeout function is to comply with the closeout requirements of the sponsoring agency and verify that all project activities have been completed in a timely manner. Specific closeout procedures for awards are typically established by the sponsoring agency in the award document. Federal regulations require all reports be submitted within 90 or 120 days (dependent on sponsor) after the date of completion of the award, including the final drawdown. The CGO reviews the account to verify that all significant actions are completed by the deadline including closeout of related sub-awards, submission and payment of the final invoice/final drawdown and inactivation of the fund in the financial system. This review should begin no later than 90 days prior to the end date of the sponsored project. During this review, the Contract and Grants Office also sends communication to the PI alerting them of their responsibilities as they relate to the closeout process.

Baseline Standards

1. 90 days Prior to Award End Date
 - a. Each month, the Grant Officer (GO) generates a report that lists all sponsored projects with an end date occurring in the next 90 days.
 - b. Based on the report listing, the GO prepares email communication notifying each PI of the impending grant end date. This communication serves primarily two purposes: 1) determine if the PI needs additional time to complete project activities and 2) remind the PI of time sensitive HR, purchasing, or other actions. If the PI needs a no-cost extension, or is expecting continuation/supplemental funding, the PI must contact the CGO immediately. The PI also needs to review employees on the grant to determine whether any HR actions are needed to transfer employees from the sponsored project account. All HR and payroll forms and redistributions should be processed prior to the award end date. (Refer to Appendix for Notice of Award End (90 Days) Sample)
 - c. For each sponsored project, the GO should document when and to whom communication was sent for this 90-day period.
 - d. Based on PI response, the GO should determine whether an extension to the award is needed.
 - i. If there is a need for a no-cost extension, the GO should determine whether the University has expanded authorities to issue this and, if so, notify the sponsor. If the University

does not have expanded authority to extend the grant end date, a request is sent to the sponsor with a justification provided by the PI. The justification should indicate the project activities that remain to be completed and the requested end date. This request is issued from the CGO or the Pre-Award Office. The responsibility for notice of an extension or the need to request an extension will be evident on the matrix of roles and responsibilities. The process will then follow steps outlined in Account Setup (refer to I.4). If a continuation or supplemental funding is anticipated, the GO should note this in the award file.

- ii. If there is not a need for a no-cost extension, continue with grant closeout procedures.
2. 30 days Prior to Award End Date
 - a. The GO emails the PI a Pre-Closeout Checklist/notification 30 days before the award end date. This checklist/notification serves as a second reminder to the PI of the impending grant end date and notifies the PI of his or her responsibilities (refer to Appendix for Notice of Award End (30 Days) / Pre-Closeout Checklist).
 - b. For each sponsored project, the GO should document when and to whom this checklist was sent.
 - c. At this time, the GO should review the award's account balance and any budget revisions.
 - d. The GO should also review a monthly expenditure report or ad hoc expenditure report to verify that charges posted to the sponsored project near the end of the project are reasonable, allocable and in accordance with sponsor guidelines.
 - e. At the University's discretion, financial system resources such as entering a termination date and last expenditure date may be utilized to prevent any charges being posted after the specific date.
 3. After Award End Date
 - a. Approximately 61-75 days after the award end date for federal awards or sooner for other awards depending on sponsor requirements, the final expenditures and cost share should be calculated and confirmed and final acceptance of subrecipient work and final invoice (if applicable) should be confirmed, either with the department or the PI in order to produce the final invoice or submit the final drawdown. (refer to Appendix for PI Closeout Certification Sample).
 - b. The Award Closeout Checklist should be completed to verify that all closeout procedures are followed. This checklist should be completed by the person responsible for closing the award approximately 75-90 days after the award end date, or upon receipt of the PI close out certification, if earlier. It may be reviewed by the DCG if there are issues (e.g., over expenditures) needing a higher

level of authority. This allows for adequate time to meet the Federal closeout requirement in case additional follow-up is needed. This step includes receipt of all outstanding revenue (refer to Appendix for Grant Officer Award Closeout Checklist Sample).

- c. Revenue, billings, and expenditures should be reconciled, including comparison of the F&A recovered, budgeted, and the specific rate and base.
- d. In the case of a fixed price/fixed fee agreement, residual funds should be handled in accordance with specific University policies (e.g., transfer to department, dean, etc.).
- e. After all activities are completed, the financial fund should be rendered unenterable or inactivated in the financial accounting system by notifying Accounting, or the appropriate office.
- f. All sponsored project files are archived based on the University's Record Retention policy (see III.6). After the required retention period is over, award files may be handled in accordance with the University's Records Retention Policy.

VII. Audits

Executive Summary

The purpose of the Audit function is to comply with the requirements of the sponsoring agencies allowing for independent verification of sound internal controls and effective business practices that result in the proper costing and use of sponsor funds. Specific types of audits are to be performed under guidance rendered in 2 CFR Part 200.501 of the Uniform Guidance. Additionally, non-Federal sponsors often include audit clauses in their award agreements.

Following are typical audit clauses:

1. The recipient will provide the auditors with access to personnel, accounts, books, records, supporting documentation, and other information as needed/request, at all reasonable times.
2. The recipient will prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
3. The recipient will promptly follow-up, take corrective actions and respond to audit findings including preparation of a summary schedule of prior audit findings.

Appendix

The following is a preliminary list of templates, supplements, and guidance, by sub-process, for use with the written standards (template references are denoted in **bold** parentheses):

0. Introduction

- A. [Defining Sponsored Programs Guidelines Document \(0.A\)](#)

I. Account Setup

- A. [Award Setup Form - includes Agency Approval Matrix \(I.A\)](#)
- B. [Assigning a Source of Funds to Grant Awards \(I.B\)](#)
- C. [Revenue Classification Chart \(I.C\)](#)

III. Grant Management

- A. [Roles & Responsibilities Matrix \(III.A\)](#)
- B. [Grant Officer Award Management Checklist \(III.B\)](#)
- C. [PI Management Checklist \(III.C\)](#)
- D. [Cost Share Certification Form \(III.D\)](#)
- E. Risk Assessment [Tool](#), [Checklist](#), & [Data Elements \(III.E i, ii, iii\)](#)

IV. Billing & Drawdown

- 0. UNC Business Process Procedural Guidance for Collection of Past Due Receivables and Write Offs ([Procedural Guidance](#) and [Example Write-Off Policy](#) and [Example Write-Off Form](#))
- A. [Sample Dunning Letters \(IV.A\)](#)

VI. Account Closeout

- A. [Notice of Award End \(90 Days\) \(VI.A\)](#)
- B. [Notice of Award End \(30 Days\) / Pre-Closeout Checklist \(VI.B\)](#)
- C. [PI Closeout Certification \(VI.D\)](#)
- D. [Grant Officer Award Closeout Checklist \(VI. E\)](#)