

## Account Management Guidelines for SPS Funds (4XXXXXXX)

### 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 account establishment; account maintenance, transaction and document management; cash management; and closeout management. These procedures highlight the following major issues:

#### 1. OVERDRAFTS

- The available budget balance should not be less than \$0.
- Business Office staff shall review the overdraft report monthly and take appropriate action to resolve the overdraft within the month. For accounts without approved award documentation, the Business Office must request a Notice to Proceed prior to incurring expenses for a project.
- 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.

#### 2. EXPIRED PROJECTS/CLOSING ACCOUNTS:

- For SPS accounts, the department should have projects ready in the accounting system for closing by **60 days** after expiration unless the sponsor requires earlier submission. All fiscal, technical reports and final billings will be **submitted in accordance with sponsor regulations**.

#### 3. CASH DEFICITS:

- Letter of credit draws should be completed on a timely basis, which is weekly for most letter of credit projects, to protect the cash position.
- For non-federal agreements, a payment schedule will be negotiated to provide an **initial or advance payment**, if possible.
- Collections will be aggressively pursued, utilizing the cash management process identified in the guidelines.

### 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)
- Sponsor reporting/billing requirements
- 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 internal orders (IO)/sponsored programs (SP), if applicable, and email addresses of the PI and Business Office)

### Establishment of SPS accounts

- **Receipt of fully executed approved documentation from agency:** SPS should notify the PI and Business Office immediately informing them if information is needed to establish the account. If no additional information is needed or once the additional information is received, an account will be set up within two business days. If the requested additional information is not provided within five business days, SPS should proceed with the establishment of the Grant and place the funds in unallocated available until the information is provided by the business office.  
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 two 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 the appropriate office.
- **Cost Share** – If single account cost share is applicable, SPS should establish an IO/SP with the appropriate internal fund. For questions on cost share processes, consult the [Cost Share Guidelines](#).

### Web and FTP site addresses

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

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## **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 IO/SP.
- SPS staff are expected to set up the account according to the award documentation and information provided by the Business Office.
- 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.

Use Management Reports Summary for Account Transaction and Document Management in the [Tools for SPS funds](#) to assist in the review process.

### **C. Procurement and Account Management**

Purchasing requisitions, purchasing card procurements and direct invoice vouchers 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.

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

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. Use the Open Purchase Order Summary t-code, ZFIR\_SRM\_OPEN\_PO\_SUM to verify open commitments. If 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 if an invoice has been paid but the commitment has not been relieved, refer to [GR/IR and Blocked Invoice Process](#). For Procurement related questions please visit the [SRM Instructions Manual](#) or contact the Purchasing Services 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 IO/SP's. This review should include the following:

- Pre-award costs are charged in accordance with [sponsor guidelines](#)
- Post-award costs are not allowable

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

- [Purdue CAS guidelines](#)
- Specific Sponsor guidelines

#### **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 to his or her research group is delegated, an appropriate [authorization form](#) for each project account should be completed and maintained with the project account. 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, IO/SP, date of form completion, list of individuals authorized, any restriction on what an individual can purchase (dollar limit, capital equipment), any other restrictions on the IO/SP.

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 first hand 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 IO/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 5/1/07 [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 (fund 4901000).

- Voluntary Support (fund 49010000) accounts will not be allowed to charge in excess of cash received. Departments will be notified by SPS on a monthly basis of overdrafted 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 overdrafted 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 IO/SP's, if a budget reallocation is appropriate, it should be prepared immediately. If unsure how to proceed with the request, consult the SPS Account Manager/Project Administrator.

**There are several reports and queries that can be used to monitor and assist in the maintenance of proper account expenditures and balances. These reports and queries can be referenced in the [Tools for SPS funds](#).**

#### **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 Services' priority. Activities which will help staff meet this expectation can be referenced in the [Department Activities – Account Expiration Procedures Checklist](#).

#### **K. Department Payroll Default (Fund: 91010000)**

Run ZHR\_Pay\_Posting after each payroll to determine if any payroll charges have posted to the payroll default for your Department. Enter the posting date range of the payroll period (i.e. 8/01/2007 - 8/31/2007) along with fund (91010000) and your departmental cost center. If there are payroll charges that have posted to the payroll default, you will need to complete a [Cost Distribution \(CD-01\) form](#) to charge the appropriate account and to clear your department payroll default. Department Payroll Default accounts need to be reviewed and cleared by month-end.

#### **L. Payroll Errors Identified in the Payroll Process**

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 \(CD-O1\) Form](#)

The following tools provide assistance in account management:

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

Prior Approval:

- Definition of [Prior Approval](#)
  - [Sponsor Guidelines](#)
  - [Prior Approval Templates](#)
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### **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, which is biweekly for most letter of credit projects, 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 Assistant Director Post-Award for Sponsored Program Administration (SPA). 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. 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 Assistant Director Post-Award for SPA.

#### **F. Management Reports – Accounts Receivable**

Aging reports will provide necessary information regarding delinquent accounts. These reports are management tools that will allow for analysis and review of delinquencies. When an account becomes 120 days delinquent, it should be reported to the Assistant Director Post-Award for SPA, with the account history and recommendation to review and act on the approved recommendation.

#### **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 billing/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 OnePurdue system. All awards not funded via letter of credit or paid in full must have a billing set up in the OnePurdue system. The entry of billing data for an award set up in the OnePurdue system automatically generates accounts receivable entries in the University accounting system.

Billings are set up in OnePurdue 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. 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

All payments are expected as per the initial contractual agreement. 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:  
The Account Management staff will follow-up with the sponsor(s) regarding the status of the outstanding payment(s) that are over 60 days past due. If it is determined that work on the project has been delayed or other actions are required by the University, the Account Manager will be responsible for coordinating resolution of the issues between the Sponsor, Sponsored Program Services, the Business Manager, and the Principal Investigator. The Account Manager will handle cash flow problems by the sponsor. She/he will develop and recommend a payment plan for the outstanding receivable and review it with the Assistant Director Post-Award of SPA for his/her approval.
- Accounts over 90 days past due:  
The Account Management staff will identify outstanding receivables over 90 days past due. The Account Manager will follow-up with the sponsors on outstanding receivables.
- Accounts over 120 days past due:  
A summary 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 Assistant Director Post-Award of SPA. She/he will determine if the Business Managers and the Principal Investigators as well as the University Contracting Group should be notified of the sponsors with cash/billing issues. If so, the appropriate Account Manager informs the Business Manager and the Principal Investigator as well as the University Contract Group 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. Likewise if the University Contracting Group is reviewing new agreements with sponsors who have receivables over 120 days past due they may request information on why payment has not been made.

- Accounts over 180 days past due:  
A summary 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 Assistant Director Post-Award of SPA. The Assistant Director Post-Award of SPA will work with the Cash Manager and the Account Manager to determine how the account should be handled. Actions may include locking the account or termination of the project due to nonpayment.

The Assistant Director Post-Award of SPA and the appropriate Account 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 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 URCO. Upon review of the file and documentation, URCO will either attempt telephone contact, send out an initial collection letter, or send out a final demand letter to the sponsor. 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 Cash Manager. A list of these grants will be provided to the Assistant Director Post Award for review with the Comptroller 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 July. 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 will be posted prior to October 31st. Collection activity may continue, even though the account is generally deemed uncollectible and written off the University books.

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## **Close Out Management**

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

- Departments should have grants ready in the accounting system for SPS closing entries 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 except if awaiting income.
- Follow the management expectations set for OnePurdue reporting requirements.

Sponsored program grants must be closed in accordance with sponsor regulations. Sixty days after account expiration, the account should be complete and SPS will report/invoice based on this information. 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:*

- a. 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.
- b. 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 21010000 4009022001. A Journal Voucher (FV50) will be prepared by SPS as follows:

Salaries:

DR: 21010000 4046001001 505010

CR: 4XXXXXXX 8XXXXXXXXX 505010 (SPS IO/SP)

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

*Overdrafted Grants that have S & E charges*

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

**2. Accounts with Balances:**

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

- a. The sponsor has removed the account from their letter of credit funds.
- b. There is no F&A or cost shown on the account to adjust in closing.
- c. 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: 4XXXXXXX 8XXXXXXXXX 546445 (SPS IO/SP)

CR: 21010000 4046001001 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)*

- a. 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 SPS account clerk will transfer the balance to the designated department 2201XXXX fund 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/Account Manager in order to achieve resolution.**