

AWARD ADMINISTRATION ISSUES

Case Study # 29: Financial Reporting Nightmare or Tell Me Again Why I Wanted This Job?

A week before the final financial report on a grant is due to the agency, you realize that there are issues standing in the way of its completion. This is a complex project and you established multiple accounts across several departments at your institution to administer the project. There are 12 external subawards established under several of these accounts.

You discover that there are five accounts that have outstanding encumbrances (both payroll and supplies); upon further investigation of these encumbrances, you discover that purchases were made at the end of the project, goods were received, but the bills have not been paid. Further you find a \$10,000 piece of equipment that was purchased the month before the grant was to end. Finally, you find administrative salaries and office supplies charged continually through the life of the project on the main account and on one of the Department accounts. Two other Department accounts have payroll expenses which occurred the month after the project ended.

You further discover that there is a large balance on one of the subawards and two subawards have not submitted a final invoice.

- *Given the deadline you are facing, what are your alternatives?*
 - Call sponsor's Grants Manager and request an extension for the deadline of financial report. If they say no, consider filing a "Draft final report" with cover letter about when Revised Final Report will be submitted. You could just send the report in late!!
- *How would you handle the encumbrance issue?*
 - First determine if the goods are allowable and allocable to the project (for example, they may be replacing stores used during the project). Also, make sure the payroll expenses are legitimate. If expenses are OK, get the bills/payroll paid. If goods are not allowable/allocable to project – can they be returned? If not, get another account to transfer the costs. Clear any encumbrance before Final Report is sent to sponsor.
- *What about the equipment and admin salaries and office supplies?*
 - It is difficult to image how a piece of equipment purchased at the end of a project could benefit that project. Check into it. Find out if admin salaries and office supplies are acceptable to this award. If no, get them removed even if the Department has to go back to the beginning of the award. Based on the description given, this project may qualify as a major program. However, it is hard to believe admin salaries would be allocable to a Department account.
- *What about the late expenses?*
 - Local administrator/PI will have to identify another account where these expenses can be transferred – e.g. department or gift funds. Get any non-allowable expenses off the account.
- *What about the subaward balances?*
 - Where are the final invoices from subaward institutions? Are they being held somewhere? Has anyone (local administrator/PI?) been in contact with subaward institutions? In the spirit of collegiality it would be good to contact the subaward institutions with a request to fax final invoice or risk loss of reimbursement – probably a good idea to have local administrator confirm with PI that subaward institution as been performing acceptably.
- Thirty days after you submit the final financial report, one of the subawardees submits a final billing for expenses incurred during the period of performance. What do you do now?

- Assuming you have followed the above process and they had one last chance to give you the invoice before you did the Final Report, you have to tell the Subaward institution “too bad” - final financial report has been submitted and no funds are available to reimburse the late bill.