



FINANCIAL STATUS REPORT (FSR) AND FINANCIAL CLOSEOUT POLICY AND PROCEDURES

October 2008

POLICY

Memorial Sloan-Kettering Cancer Center will submit financial reports to sponsors of research and other scholarly activity that:

- Accurately reflect the actual use of sponsored funds as recorded in the financial records of the institution; and
- Are in compliance with the sponsor's terms and conditions

Achieving compliance with this policy is a responsibility shared by the Principal Investigator/Project Director, department administrators (where applicable), Research Administration, and Finance.

- Research Administration in collaboration with the Principal Investigator/Project Director and/or designee must ensure that, prior to financial reporting, all expenses are allowable and allocable to the project, and that any required adjustments to expenses are posted in compliance with accounting, reporting and close-out policies and procedures.
- Finance has the authority to request and, in the absence of resolution, to post journal entries and salary adjustments to indicate cost sharing, unallowable costs, or other disallowances.
- Finance will issue financial reports based upon the general ledger activity at the close of an interim and/or final budget period, consistent with established financial reporting and account closeout procedures.

In general, sponsors require a financial accounting of the funds expended in support of a project and in accordance with a sponsor-approved budget. The timing and detail for such reports is specified in the award document. Interim and final financial reports and invoices provide the sponsor with evidence of good stewardship of the funding. Failure to report in the manner and according to the timeline prescribed by the sponsor may call into question the ability of the Principal Investigator/Project Director to manage the project and/or the financial controls of the institution.

Memorial Sloan-Kettering Cancer Center will also close out Funds established to support sponsored activities in a timely fashion. Generally, Funds will be closed within 90 days following the submission of the final financial status report (as applicable) or the end of the project. The policy of the sponsor with respect to residual balances will be

followed. For Industrial Agreement funds, if the sponsor allows the institution to retain the residual balance upon completion of the project, residual balances will be moved to a discretionary Fund specified by the Principal Investigator/Project Director unless senior management of the institution indicates otherwise. Discretionary funds may only be used to support research and/or academic-related expenses.

Definitions

Financial Report

A financial report [i.e., Financial Status Report (FSR), invoice, etc.] is an accounting of expenditures and obligations incurred during the period of performance and/or at the conclusion of the sponsored project. The financial report reflects the institution's official accounting records.

Financial Closeout

The process at the end of a sponsored award by which the institution completes any required accounting to the sponsor and prevents any further expenses from being incurred on the award.

Roles and Responsibilities

Finance

It is the responsibility of Finance to prepare interim and final financial reports and invoices based on institutional financial records and in accordance with the terms and conditions of the sponsored award. Additionally, it is the responsibility of Finance to submit all financial reports, including invoices, to the sponsor.

At time of closeout, Finance is responsible for changing the award status in the institution's financial system to "Closed" to prevent further charging to the account. Research Administration and the departments (as applicable) are notified of the submission date of the financial report for appropriate record retention purposes. As stated above, residual balances will be treated per the terms and conditions of the award. Residual funds from Industrial Agreements will be moved at the time the Fund is closed to a discretionary account controlled by the Principal Investigator/Project Director unless senior management of the institution indicates otherwise. At the time the residual balance is moved to a discretionary Fund, the final indirect cost charge of the industrial agreement will be applied to the open balance. The final transfer will be initiated by Finance subject to the review and approval by Research Administration and by appropriate departmental administration and clinical trials offices to ensure that the project is truly completed and that there are no outstanding charges expected. The final transfer will generally occur within 60 days of the final payment from the sponsor.

Specific Finance responsibilities include:

- Provide a dynamic, electronic work list of FSRs for monitoring due dates, submission dates and other process related data.

- Prepare draft financial reports from the institution's financial system.
- Review awards for unallowable costs, overdrafts, and remaining balances.
- Review facilities and administrative charges.
- Prepare and approve the interim and final financial report or invoice and submit to sponsor.
- Close the Fund number and project once all financial obligations have been satisfied.
- Track outstanding receivables, send out past-due notices, and communicate progress with Research Administration, the program, department or division.
- Coordinate financial audits of sponsored projects by federal or external auditors.
- Facilitate the settlement of uncollectible issues.
- Maintain financial records according to records retention policy.

Research Administration and Principal Investigator/Project Director

Research Administration and the Principal Investigator/Project Director must review draft interim and/or final financial reports, communicate changes and additional information to Finance, and return the draft FSR, signed by Research Administration and the Principal Investigator (PI), generally, no less than 14 days prior to sponsor's reporting deadline or other deadline assigned by Finance. Draft interim and/or final financial reports that are not returned within the specified period will be submitted to the sponsor based on the institution's financial records without Research Administration/PI approval. Except in unusual circumstances approved by Finance, the institution will not file final financial reports that show unliquidated obligations or commitments. For example, as stated in the NIH Grants Policy Statement, "Final FSRs must have no unliquidated obligations (except for training grants) and must indicate the exact balance of unobligated funds." Research Administration is responsible for clearing any and all cost overruns and unobligated balances.

Specific Research Administration and Principal Investigator/Project Director responsibilities include:

- On-going monitoring of expenses associated with specific Funds.
- Review draft financial reports and working papers prepared by Finance to determine that the interim or final financial records accurately reflect the use of sponsor funds.
- Ensure expenditures are in compliance with the terms and conditions of the sponsored award and institutional policy.
- Review draft report award accounts for potential unallowable costs, overdrafts, and transfers to a non-sponsored award.
- Provide documentation to support the mapping of the institution's General Ledger expenditure types to sponsor-requested budget categories.
- Provide information to support timely interim and final financial reporting.
- Finalize charges with internal service providers and provide new charging instructions for ongoing expenses.

- Prepare request for no-cost-extension or carry forward request to sponsor and submit them through the Office of Sponsored Projects not less than 15 days prior to the budget end date.
- Assist in resolving collection issues.
- Review all outstanding procurement commitments generally no less than 30 days prior to the filing of the final financial report to determine whether they should be canceled, transferred, and/or paid.
- Retain financial records according to the Records Retention policy.

PROCEDURES

FSR Process Overview

For projects requiring financial reports, as indicated on the Notice of Award, Finance will submit a draft report of expenditures to Research Administration for its review and approval. Research Administration will subsequently forward the draft report with any revisions or comments noted for the review and approval of the Principal Investigator. Once the Principal Investigator has reviewed and approved the draft report, Research Administration will return it to Finance for submission to the sponsor. The report will include the sponsor's report form, the working papers, and any other supporting documentation needed for Research Administration's review, such as salary analysis.

For sponsored projects that require a financial report within 90 days of the budget period or project period end date, the draft report is sent **electronically** by Finance to Research Administration **no later than 30 days** prior to the sponsor's deadline. Subsequently, Research Administration and the Principal Investigator/Project Director **will have 14 days** to review the draft report and return it electronically to Finance. During this time, Research Administration should review the draft report and identify any adjusting entries and/or supportive documentation necessary to complete the report. If additional adjustments are anticipated, Research Administration should indicate on the appropriate section of the working papers and attach documentation. The draft financial report form should be signed by both Research Administration **and** the Principal Investigator or his/her designee, such as the chairman or department head in the PI's absence, or when the PI is no longer with the institution, and returned electronically to Finance before the due date.

For sponsored projects that have financial reporting deadlines other than described above, Finance will follow a similar process but with a timeline that is appropriate to ensure that the report is submitted by the sponsor's deadline.

Upon receipt of the approved draft report, Finance will then prepare the final report to be submitted to the sponsor by the required deadline. A copy of the final report will be sent electronically to Research Administration and the Principal Investigator/Project Director. If unexpended funds are to be returned, Finance will request a check from Accounts Payable, provided all agency funds have been received, and forward it along with the report to the agency.

Points to Remember

- The institution is required by federal sponsors to submit FSRs on all federal awards no later than 90 days after the close of the budget and/or award period. Failure to comply with these requirements may lead to delays or withholding of awards, loss of automatic carryover authority, loss of advanced payments, loss of expanded authorities, and designation as a high risk grantee.
- Financial reports on non-federal sponsored projects vary in format and due dates. Annual or interim reports are most often required within 30 to 90 days after the reporting period end date. The investigator's progress and/or narrative reports may need to be submitted in conjunction with the financial report.
- Finance will prepare the draft financial report indicating which month's expense statement is being used and include only those adjustments applicable to the current reporting period.
- For final reports, the expense statement for the month following the project's end date should be used, thus allowing 30 days for any additional committed expenditures to be paid (unless the Fund is in deficit, in which case the final month's statement can be used).