



## **FINANCIAL REPORTING POLICY**

February 2016

### **POLICY**

Memorial Sloan Kettering Cancer Center (MSK) 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 systems 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), the Office of Research and Project Administration (ORPA), and Finance.

- ORPA, specifically the Research Fund Management Unit (RFM), in collaboration with the Principal Investigator/Project Director and 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 and reporting policies and on a timely basis.
- Finance and ORPA have the authority to request correction of unallowable costs or other disallowances.
- Finance and the Research Fund Management Unit 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 policies.

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.

MSK will also close out funds established to support sponsored activities in a timely fashion.. Generally, funds will be inactivated as early as 30 days after the end of the project (assuming the fund reflects \$0 balance).

## Definitions

### Financial Report

A financial report is an accounting of expenditures and obligations incurred during the period of performance (project period) and/or at the conclusion of the sponsored project. It is the responsibility of Finance, specifically Grants and Contracts Accounting (GCA) or Research Fund Management to prepare financial reports based on the institution's financial systems and in accordance with the terms and conditions of the sponsored award and retain financial records according to sponsor policy.

Specific types of financial reports include:

- *Federal Financial Report (FFR, SF425)*  
This is a report of expenditures recorded in the institution's financial systems submitted through eRA Commons. Depending on the award type and the policy of the agency, this report may be required on an annual basis or within 120 days of expiration date. The final FFR must indicate the exact balance of unobligated funds and may not reflect any unliquidated obligations. For FFRs submitted to the NIH, there must be no discrepancies between the final FFR expenditure data and the Payment Management System's (PMS) cash transaction data. All expenses reported on FFRs must be supported by expense activity posted to the fund in the general ledger.
- *Invoice/Voucher*  
An invoice/voucher is a request for payment for work done on a contract and/or consortium agreement. It is based on expenditures recorded in the institution's financial systems.
- *Report of expenditures*  
This report is based on expenditures recorded in the institution's financial systems and is generally required by private agencies and philanthropic foundations.

For the purposes of this policy, financial report can imply FFR, invoice/voucher, or report of expenditures unless otherwise specified.

### Financial Closeout

Financial closeout is 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, specifically Grants and Contracts Accounting (GCA), to prepare interim and final financial reports for all funded activity (excluding NIH), as required by the sponsor and distribute these reports to Research Fund Management for review generally no later than 30 days prior to the sponsor's reporting deadline. Included will be the sponsor's report form, a detailed analysis of expenses, and any other supporting documentation needed for Research Fund Management's review.

Other specific Finance responsibilities include:

- Advise appropriate parties regarding unallowable costs, overdrafts, remaining balances, facilities and administrative and fringe benefit charges.
- Ensure any needed adjustments (e.g., facilities and administrative and fringe benefit charges) are posted timely to the general ledger before report submission. Notify Research Fund Management and departments (if applicable) of submission date of financial reports as appropriate and upload all reports (excluding NIH) to the institution's Grants Central database.
- If unexpended funds are to be returned, request a check from Accounts Payable, provided all agency funds have been received, and forward it along with the report to the sponsor.
- Close the Fund number once all financial obligations have been satisfied.
- Retain financial records and reports according to sponsor policy.
- Coordinate financial audits of sponsored projects by federal or external auditors.

#### Research Fund Management and Principal Investigator/Project Director

It is the responsibility of Research Fund Management to prepare and submit all annual and final Federal Financial Reports (FFRs) for NIH awards and to distribute these reports for review by the Financial Reporting Compliance Manager (FRCM) generally no later than 45 days prior to the NIH reporting deadline.

For all awards (as applicable), including those from sponsors other than NIH, Research Fund Management, specifically the Research Fund Manager, will initiate review and approval of draft interim or final financial reports with the Principal Investigator/Project Director and/or designee. Depending on the sponsor, review will be initiated 2-4 weeks prior to the sponsor's reporting deadline, however exceptions may apply due to delayed notification of a report requirement and/or receipt of draft report.

For non-NIH awards, Research Fund Management will communicate changes or additional information to Finance needed to complete the report (e.g., identify any adjusting entries and/or supportive documentation), and return the draft report, generally no less than 7 days prior to sponsor's reporting deadline or other deadline assigned by Finance or Research Fund Management. 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 systems without Research Fund Management or PI approval.

Other specific Research Fund Management and/or Principal Investigator/Project Director responsibilities include:

- Ensure any needed adjustments (e.g., facilities and administrative and fringe benefit charges) for NIH awards that need to be posted to the general ledger are communicated to GCA generally no later than 15 days prior to the sponsor's reporting deadline.
- Ensure any needed cost transfer (i.e. after-the-fact reallocation of costs, either salary or non salary) to a sponsored project is completed, approved by all applicable parties (refer to SKI Cost Transfer Policy and Procedures), and posted to the institution's financial systems **within 30 days of the project end date**. Enforcing this timeframe for NIH projects is required to ensure that expenditures reported in the quarterly Federal Cash Transaction Report match those that are subsequently included in the Federal Financial Report.
- FRCM to notify Research Fund Manager, departments and/or Finance of submission date of NIH financial reports as appropriate and upload all reports to the institution's Grants Central database.
- For non-NIH financial reports, review of draft financial reports and a detailed analysis of expenses prepared by Finance within 3 weeks of receipt (exceptions may apply as noted above) to determine if financial systems accurately reflect the use of sponsor funds.
- Ensure expenditures are in compliance with the terms and conditions of the sponsored award and institutional policy including review of unallowable costs and overdrafts.
- On-going monitoring of expenses associated with specific funds.
- Finalize charges with internal service providers and provide new charging instructions as appropriate for ongoing expenses.
- Begin review of all outstanding procurement commitments generally no less than 30 days prior to the grant end date to determine whether they should be canceled, transferred, and/or paid.
- In collaboration with ORPA's Grants and Contract Unit, prepare request for no-cost-extension according to the No Cost Extension Request Policy or carry forward request to sponsor and submit according to sponsor's requirement.
- Responsible to clear any and all cost overruns within 60 days of financial report submission.
- Retain financial records and reports according to sponsor policy.

### Points to Remember

- Generally, the institution is required by federal sponsors to submit financial reports on all awards no later than 120 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.
- Finance and/or Research Fund Management (if applicable) reserves the right to submit to the sponsor without PI approval any interim and/or final financial report based on the institution's financial systems that is not returned within the specified period.

- 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.
- Draft financial reports will be prepared using the institution's financial systems and include only adjustments applicable to the current reporting period.
- For final reports, expenditures should be reviewed at a minimum of 30 days after the project's end date, thus allowing 30 days for any additional committed expenditures to be paid.