



Policy and Procedures: Grants Internal Controls Policy

Effective Date: 08/11/15

Scheduled for review and approval by Office of the President, 8/11/15.

Purpose:

The aim of the policy is to assist the management of Azusa Pacific University (APU) and all related units, to evaluate and assess internal controls for grants and sponsored programs. Internal controls for sponsored programs are incorporated into policy and procedure documents that guide university operations and are used by management in their respective units. The assessment and maintenance of the internal controls for grants is a continual process in which the Office of Research and Grants (ORG) and the Business Office assess the effectiveness of internal controls in each of these units.

Policy:

It is the policy of APU to establish and maintain effective internal controls in order to govern and direct the fiscal oversight and management of grants and sponsored programs occurring at the University. APU is committed to fostering an environment in which the processes and tasks of internal controls are embraced and continually monitored in order to promote good stewardship of the funding awarded to the University. Internal controls also assist APU in meeting its obligations to comply with the terms and conditions of sponsored agreements and grant awards. This policy provides the framework and principles of the internal controls policy and practices for grants and sponsored programs at APU.

1. Financial Reporting

- o The Business Office Grant Accountant has the responsibility to prepare interim and final financial reports and invoices based on university financial records in accordance with the terms and conditions of the sponsored award. Additionally, this role has the responsibility to submit all financial reports including invoices to the sponsor. On certain occasions, financial reports are submitted by the department or ORG in collaboration with the Grant Accountant.
- o In preparation for completing the final financial reports as required by the sponsor, the Grant Accountant will contact departmental business administrators and the Principle Investigator to provide and/or verify information regarding the final expenses of the account. Departments will also need to verify and finalize any related cost share or program income account expenditures as well as to insure proper reporting to the sponsoring agency.

2. Records Retention

- o All departments involved in management of grants must retain proper documents to support the establishment and administration of individually sponsored grant and contract restricted funds accounts. Grants may be federal, state, corporate, or private. These documents may include but are not limited to: project applications, grant authorizations, contract documents and agreements, project budget forms, subcontracts, university financial records, financial

reports, invoices, expense reports, property and equipment records, and related documentation and correspondence.

- o For sponsored project records, APU follows federal rules and policies regarding record retention. Per the Office of Management and Budget (OMB) 2 CFR 200.333-337, any sponsored project related files must be kept for at least three years from the date of the final financial report submitted. However, some sponsors may require the records to be retained more than 3 years. Since the grant period may range from one or more years, the 3-year period starts at the end of the grant. For example, the records of a grant starting in 2006 and ending in 2009 should be kept until 2012 or 2013 depending on the date of the final financial report submission. For more information, see APU's Record Retention and Destruction Policy at <https://docs.google.com/a/apu.edu/document/d/1sFudslhBcSUjl8Hq7NbfVbFlqSyMASV-r9PERU-OiIY/edit>.

3. Cost Transfers

- o Cost transfers are considered exceptions and should not occur frequently. Cost transfers to or between sponsored projects accounts are only allowable when there is direct benefit to the project account being charged.
- o A cost transfer between grant or contract funded restricted accounts (i.e., sponsored projects) may be made under the following conditions:
 - i) The cost is proper and allowable by sponsor and University policies.
 - ii) Justification for the transfer is documented during the transfer request.
 - iii) Transfers are made within 90 days of discovery. Requests to transfer expenses that fall past 90 days will require additional consideration and approval from the Grant Accountant and ORG.
 - iv) No charge may be transferred to or between restricted accounts in excess of one year from the original date of posting except in approved extraordinary circumstances.
- o Appropriate justification will detail:
 - i) When the error was discovered,
 - ii) What the charge was for,
 - iii) Why the charge was incorrectly made, and
 - iv) How it specifically relates to the restricted account to which it will be transferred.

4. Cost Sharing Agreements

The University encourages and supports the efforts of faculty to obtain external funding. The use of cost sharing should not overburden University and departmental resources hence the cost share amount and the account to be charged must be identified in the pre-award stage. Details are provided in the pre-award section of the Grants Handbook. Approved cost share in awarded proposals must be independently tracked, monitored and reported to the sponsoring agency.

5. Effort Reporting

- o The proportion of an individual's total compensation charged to a sponsored project must be approximately equal to or less than the proportion of the individual's total effort expended on the project. The amount of actual effort expended on a project usually cannot be reduced from the level of effort that was committed in the project proposal by more than 5%.
- o Effort Reporting (Certification) is done through the collaboration between ORG and the Grant Accountant. The University's practice is to utilize an after-the-fact effort reporting

system every 6 months to certify that salaries charged to, or cost shared with, sponsored awards are reasonable and consistent with the work performed. The effort certification should be a reasonable estimate of how time was expended.

- o Each faculty member, staff member and student worker should certify his/her own Effort Report. The Principle Investigator, Department Chair or Dean must also verify the information provided on the report as Certifying Official.

6. Deficits

Departments considered to be the responsible entity and owner of an award must clear cost overruns or deficits on their accounts within 30 days once the report has been submitted to the sponsor.

7. Closeouts

At the conclusion of a project, the Grant Accountant and ORG will work with the department to close out the account. Department business administrators, including Principal Investigators, are responsible for insuring that final adjustments post in accordance with final closeout records, all obligations are cleared through travel and encumbrances and any overruns or overdrafts are properly removed from the account in a timely manner. Once all cash is received from the sponsoring agency and the account balance is zeroed out, the Grant Accountant will inactivate the account in the PeopleSoft financial accounting system.