SWEEP PROCESS FOR CLOSEOUT OF FIXED PRICE AGREEMENTS

BACKGROUND:

To fully adhere with Cost Accounting Standards in our treatment of fixed-price agreements and to ensure consistent costing between sponsored agreements, the Vice President for Research and Information Technology announced the “sweep” process to the Deans of each College on December 3, 2001. “Sweep” meant that a defined group of individual 5-3 accounts would be closed and the remaining direct-cost balance in each account would be transferred to a college-level 5-3 account created for that purpose. The process was also discussed with the Research Associate Deans and at Council of Deans meetings. The December announcement defined the first write off of uncollectible receivables (which occurred in January 2002) and also the “sweep” of fixed price direct-cost balances for projects that were more than 6 months beyond their end date as of February 2002 when the sweep occurred.

SWEEP PROCESS

Based upon comments from external auditors, the sweep process had to be changed to 1) properly recognize revenue at the point where it is earned (all required deliverables to the sponsor have been met); and 2) to ensure that the remaining funds are reclassified as ‘unrestricted’ as any residual funds become institutional funds once the project is completed.

In order to accomplish these objectives, the following process has been implemented:

Each month, a query will be generated to list all fixed price projects with end dates 60 days prior. For example, for the month of April, the list would contain accounts with end dates of January 31 (or earlier).

Accounts for which work has not been completed should have a no cost extension request sent to the Sponsoring Agency and will be excluded from the process at this time. Accounts for which not all payments have been received but that have ended and all work is completed, will be also be excluded until such time as the final payment is received.

The remaining accounts will have a revenue recognition entry posted at or around month end that will result in revenue being recognized for the remaining amount of the award. The account will continue to remain open and the PI will have access to spend the funds through June 30 of that fiscal year.

This query, analysis and revenue recognition process will take place monthly until fiscal year end. At June 30, a freeze flag will be placed on the account to suspend further activity. Shortly after the start of the new fiscal year, all cash remaining unspent in the identified ended accounts will be transferred as follows:
• The direct dollars will be transferred to a college level 16 account set up specifically for these transfers.
• The indirect dollars (if applicable) will be transferred to the VPR 16 account set up for these transfers.

At this point, the college will determine how the funds in their 16 accounts will be spent and no further involvement will be required of Sponsored Programs other than reporting expenditure activity.

CRITERIA FOR EXEMPTION FROM SWEEP PROCESS

Exemptions will be considered and if approved, the account will be exempted from the sweep in the following situations:

• the sponsor has not yet paid the full cost of the agreement
• the work scope of the project is not completed and a written request for a no-cost extension has been submitted to the sponsor

If the original work scope has been completed and the final report submitted, last-minute no-cost extensions will not be considered a reason for exemption from the sweep.

All expenditures completed by the cut-off date for the sweep (June 30 each year) will be counted, in addition to payables for items that had been received by the cut off; however encumbrances for future expenses will not be allowed to remain on the 5-3 accounts to be swept. Colleges may pay encumbrances against the new college sweep accounts at their discretion.