

Small Balance Write-Off for Sponsored Project Funds

Intended Audience

This communication is intended for department managers, financial managers, and RSAs who monitor sponsored project funds.

Background

In May 2006, EMF organized a meeting of school/department representatives to brainstorm the root causes of and potential solutions to one of our compliance challenges: how to reduce the number of untimely transfers (where >90 days from the date of original expense is considered untimely and >120 days is considered unacceptably late). One of the proposed solutions was to implement a standard small-balance write-off program (SBWO) for sponsored funds, significantly reducing the need for departments to complete numerous late cost transfers to close expired funds.

Process Description

EMF will write-off small remaining balances on expired sponsored projects ready for closure in all other respects. These balances will include both debits and credits up to an agreed tolerance. In January 2007, we sent a proposal for the process and possible tolerance levels (from \$25 to \$250) to the Dean's Offices of all the schools. The schools unanimously approved the process and chose the \$250 level. Our analysis at that point in time indicated that 1,900 funds were eligible for closure at that level.

One of the criteria for establishing the SBWO is that the sum total of the written off accounts must remain financially neutral (no material debit or credit) to the Controller's Office. Hence, the tolerance level may need to be adjusted in the future to ensure this requirement is met.

Implementation

The SBWO will be conducted in three phases:

- **Phase one** – EMF will write off awards that did not convert into the Research Administration System (RAS) in April 2006 and that expired June 2006 or prior. This will take place in May 2007.
- **Phase two** – At the same time, EMF is implementing the standard sponsored projects closeout process. During the closeout process, awards will be assessed for inclusion in the SBWO. For your reference, the closeout process as described in an August 2006 communication is posted at <http://tinyurl.com/e6lge>. As award closeouts are ongoing, this phase has no final completion date.
- **Phase three** – EMF will focus on converted RAS awards that ended June 2006 or prior. Due to the complexity of awards converted into RAS, this phase requires detailed research for each award. Hence, it will take until the end of the next fiscal year to complete.

In order to be included in any phase of the SBWO, awards must meet the following criteria:

1. Fund balance is not equal to zero, but is equal to or less than \$250 (debit or credit)
2. Letter-Of-Credit (LOC) awards drawdown status (DD) is "Z", which means drawdown is inactive
3. The award must be expired and ready for closure in all respects (e.g, final Financial Status Report (FSR) filed with the sponsor, final invoice submitted and all payments received, no current/ongoing charges, etc.)

What to Expect

Expired sponsored project funds that meet the above criteria will receive closing entries, including a write-off entry, beginning in May 2007. If possible, EMF will also activate the stop code to prevent future charges to the fund. Beginning in July 2007, funds successfully cleared will not re-appropriate and will be dropped from Weblinks. Finally, EMF will periodically clear the two SBWO account balances, refunding any net credit balance in the federal SBWO account to the US Treasury. This action will not impact departments.

Who to Contact

If you have any questions about the SBWO for sponsored project funds, please contact Florence Lu at 476-2075 or flu@accounting.ucsf.edu.