

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM 60.65

**Policy Name:** Reconciliation and Capitalization of Federally Funded Assets

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### GENERAL POLICY AND PROCEDURE OVERVIEW:

Reconciliations must be performed and prepared monthly for all federally funded equipment comparing life-to-date balances in Asset Management (AM) to life-to-date capital expenses reflected in the General Ledger (GL). The ChartField strings for federally funded projects must match between AM and GL. It is critical to the University that the ChartFields accurately reflect capital purchases in both AM and GL for a federally funded grant. Any capital equipment purchase made with federal funds must be reconciled to the ChartField level.

This policy and procedure is in addition to the overall reconciliation of total assets entered into Asset Management (AM) and capital expense reflected on the General Ledger (GL) which is required on a fiscal year basis. The annual equipment reconciliation is not performed on a detail ChartField level.

Only federally funded equipment must be reconciled by the detailed ChartField string. [OMB Circular A-110](#) requires that the University identify both federally funded equipment and the specific award from which the funding derives. The University identifies federal awards within the Grants module.

**Note:** Additional data elements related to the purchase of federally funded equipment are identified in [OMB Circular A-110](#) and tracked in Asset Management.

### DEFINITION OF KEY TERMS:

**Project ChartField String** – Any ChartField string that uses a specific project (8 character) beginning with the campus identifier and a “G” or “0” (zero) in the second position or an all numeric project ID, e.g. CG000034, A0000034, or 00000045. Additional ChartFields used to record transactions, including the ProjectID, constitute the ChartField String. Transactions not related to a specific project that only have the project “00” are not considered a detail Project ChartField String.

**Federally Funded Equipment** - Any piece of equipment, meeting the University’s capitalization criteria, purchased totally or partially with funds provided to the University by the Federal government. Federal funds include direct awards from the government and all flow-thru funds provided from any entity to the University.

**OMB** - Federal Office of Management and Budget.

**SPO - Sponsored Programs Office**—Each campus has an administrative office established to manage administrative duties and monitor compliance for externally sponsored program activity. Even though the administrative name used on each campus is different, the functions remain the same; SPO is a term used to refer to all four campus offices.

## **DETAIL POLICY**

### **Tools Available:**

1. The following three queries in FSRPT88 can be run and the data merged to find discrepancies between ChartField strings in AM and GL. The third query is used by the Sponsored Programs Office (SPO) to review the reconciliation prior to closing a grant.
  - AM\_RECON\_ASSET\_ADDS\_GRANTS
  - AM\_RECON\_GL\_EQUIP\_GRANTS
  - AM\_RECON\_ASSET\_GRANT\_CLOSE
2. Any journals that have been entered, moving capital expense to or from a federally funded Grant ChartField string, will be identified in Asset Management Report USAM0011.

At time of acquisition, Capital equipment funded either totally or partially from direct or federal flow-thru funds, must reflect in the AM system the full ChartField string with the detail ProjectID. This identifies the portion of federal participation in the asset purchase and the award from which it was purchased. Awards within the PeopleSoft Grants module have at least one project number attached to them. Each award that has a Catalog of Federal Domestic Assistance (CFDA) number identifies the award as federally funded.

The balances in GL that have federally funded project ChartField strings must be reconciled to AM. Similarly, any balance in AM with a federally funded project ChartField string must be reconciled to GL. The campus Accounting Offices and SPO (as determined appropriate on each campus) are responsible for reconciliation of the balances and resolution of any discrepancy between the reconciliation queries on a monthly basis. The reconciliation is documented, signed by the preparer and forwarded to the campus accounting director for review and approval. This managerial level control ensures the accuracy, completeness, and timeliness of the reconciliation.

During the closeout procedures of a federally funded project, the SPO will review the query, AM\_RECON\_ASSET\_GRANT\_CLOSE, and validate that no reconciling items remain for the project to be closed. A query will be reconciled and the disposition of all reconciling items noted. If any reconciling items exist for the project, the SPO will resolve all reconciling items with Campus Accounting. If a project has federally funded equipment, SPO will complete the final equipment reports to the sponsor. The equipment will be handled based upon the sponsor's guidelines in the award.

Per [OMB Circular A-110](#), the Department or PI shall use the equipment in the project for which it was acquired as long as needed, whether or not the project continues to be supported by Federal funds and shall not encumber the property without approval of the Federal awarding agency. When

the equipment is no longer needed for the original project, the Department or PI can use the equipment in connection with other federally-sponsored activities, in the following order of priority: (1) Activities sponsored by the Federal awarding agency which funded the original project, then (2) activities sponsored by other Federal awarding agencies. For equipment with a current per unit fair market value of \$5,000 or more, the Department or PI may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency. If the recipient has no need for the equipment, the Department or PI must request disposition instructions from the Federal awarding agency. The Federal awarding agency will then issue instructions to the Department or PI. Equipment purchased with federal funds may not be surplused by the Department unless instructed to do so by the Federal awarding agency. The PI is responsible for notifying the SPO of any loaned or sponsored provided equipment to be tracked. ([See Business Policy Manual 407—Equipment Inventory](#) for complete inventory requirements)

## **Procedures for Reconciliation**

The first two queries listed above will be run monthly by SPO comparing life-to-date balances in AM to life-to-date capital expenses reflected in GL. The reconciliation is documented and signed by the preparer. Within the reconciliation will be an aged listing of reconciling items. The reconciliations will be forwarded to, reviewed, signed and maintained by the Post Award Manager. In reviewing the reconciliation, particular attention will be paid to ensuring the AM system ChartField balances agree with the GL. Any reconciling items should be cleared within 60 days.

The reconciling items discovered on the reconciliation will be forwarded to campus accounting. Campus accounting will work with SPO and Procurement Services to resolve the reconciling items. SPO will resolve items related to Correcting Entries and Journal Entries. Procurement Services will handle items that have an expense recorded in GL, but the item is not reflected in AM.

A copy of the approved reconciliation will be forwarded to the Controller's Office to ensure reconciliations are being performed and outstanding reconciling items are followed up in a timely manner.

## **Responsibilities:**

### Controller's Office:

- Review reconciliations for appropriate follow-up on reconciling items to ensure timely resolution of discrepancies by the campus Accounting Office or Sponsored Programs Office.

### Sponsored Programs Office:

- Resolve items related to Correcting Entries and Journal Entries.
- At grant closeout complete the final equipment reports to the sponsor to ensure the equipment will be handled based upon the sponsor's guidelines in the award.
- Monthly reconcile AM reports to GL reports of federally funded equipment resolving any discrepancies.
- The reconciliation is documented, signed by the preparer and forwarded to the campus accounting director for review and approval.

Principal Investigator:

- Responsible for notifying the OSP Accountants of any loaned or sponsored provided equipment to be tracked.

Procurement Services:

- Investigate and resolve items that have an expense recorded in GL, but the item is not reflected in AM.

*Effective Date: July 1, 2005*

*Revised Date: October 5, 2007*

**Questions and Comments?**

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.