

Grant Revenue and Receivable Process: Updated Mar-2018

Grant Proposal:

All grant proposals must be reviewed and approved by the Principal Investigator (PI), the Business Administrator/Project Administrator, the Department Chairperson, and the Dean/Resource Center Director. Prior to submission to the external sponsor, all grant proposals must be submitted to the Pre-Award Department in the Office of Research Services via the Proposal Development Module in the PennERA system. A completed electronic Proposal Transmittal form and an electronic PI Certification form must be attached to the PennERA proposal submission. Within PennERA, the grant proposal is automatically routed, based on the requesting school/department and the nature of the grant, to the appropriate Office of Research Services Pre-Award Department personnel for review and approval. PennERA generates an automated email notifying the reviewers of the submission.

The Pre-Award Department reviewer verifies that the necessary approvals have been obtained, and reviews the proposal for completeness and compliance with University and sponsor policies. The Pre-Award Department of the Office of Research Services signs the approved grant proposal on behalf of the Trustees of the University of Pennsylvania. Upon approval from the Pre-Award Department, PennERA automatically assigns a sequential proposal reference number to the grant proposal. The grant proposal is then mailed and or e-mailed to the potential sponsoring agency. If the grant proposal pertains to a new sponsor or organization, the Pre-Award Department must provide the new sponsor/organization information to the system administrator for addition to the master lists. Processors within the Office of Research Services Pre-Award Department do not have system access to enter new sponsor/organization information into the master list in PennERA.

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Receipt of Award and Account Set-Up:

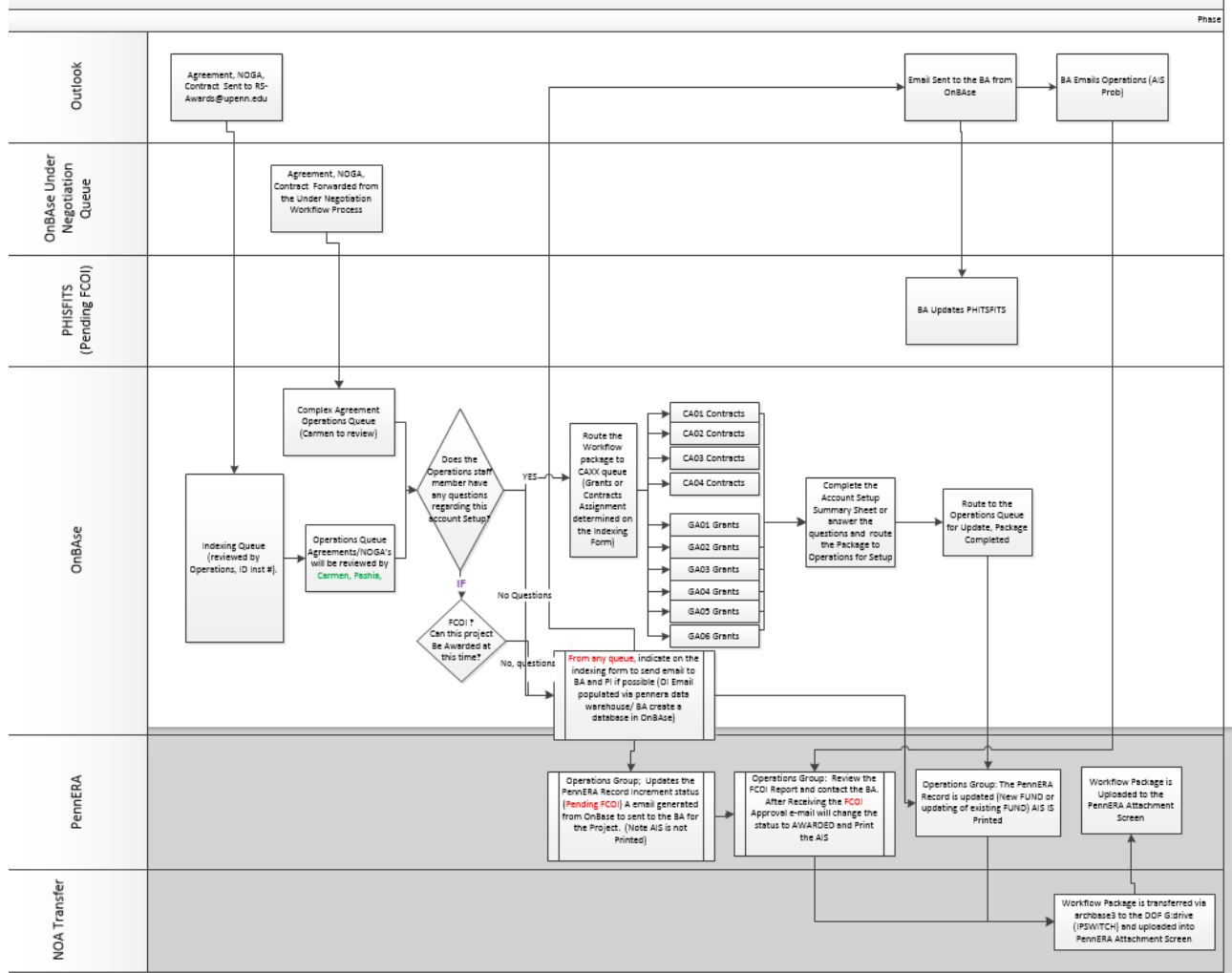
Upon notice from the sponsor of a Notice of Award, personnel from the Office of Research Services Pre-Award Department and the Corporate Contracts Department review the award terms for reasonableness and completeness. The department/school also reviews the award for completeness, accuracy, and reasonableness. Upon successful review of the award, the department/school accepts the award, as evidenced by signature. The accepted award is forwarded back to the Pre-Awards Department. The Pre-Awards Department signs the Notice of Award agreement and mails the signed document to the sponsoring agency. Upon receipt of the final Notice of Award, containing approval signatures from the department/school, Pre-Awards Department, and the sponsoring agency, copies of the NOGA/agreement are sent into the ORS Imaging System Workflow process. A staff member from the Pre-Awards, or Operations Department updates the PennERA proposal information based on the accepted award terms, and changes the application status from "proposal" to "awarded". Based on the updated proposal information in PennERA, the system generates the "Account Information Sheet" (AIS sheet) for the new award. The Notice of Award document is uploaded into the PennERA Attachment screen via the Imaging System Workflow process.

Nightly, a job is run to feed information from PennERA into BEN Financials (General ledger and BEN Billings and Receivable System BBR). During the nightly feed, the award amount, also known as the project billable (PBIL), is recorded in the BEN Financials Grants Management System (BBR). The Billable amount represents the ceiling for revenue recognition for the award. Expenses posted to the award fund in excess of the Billable will not be recognized as revenue. Additionally, the nightly information feed requests the assignment of a 5-digit fund number to the new award. A unique fund number is created in BEN Financials, and assigned to an Award Template during the account set-up process. In BEN Financials, the new fund is linked to an allowable cost schedule / object code table, identifying the G/L object codes that generate revenue for the award fund based on the Penn ERA allowable cost information. The fund number for the

new award is returned to PennERA during the overnight feed. Note: If a grant has cost sharing, two funds are set-up in PennERA. Both funds will be mapped to an Award Template but each separate fund will also be assigned to a FUND Template one INVOICE and the other Cost Share. Expenditures posted to the FUND assigned to the cost sharing Award Template will not trigger revenue recognition in BEN Financials.

Upon receipt of the assigned fund number from BEN Financials, the PennERA system sends an automated email to the project PI and the appropriate department business administrators, indicating that the account has been awarded, and that the Notice of Award is available in the PennERA attachment screen for the project. Additionally, the Notice of Award is automatically imported into the Office of Research Services document imaging system.

Revised Account Setup Process Flow: OPTION 1



Expenditure Process:

Once an award has been assigned a fund number, the matrix of allowable object codes automatically maps the allowable object codes to the assigned Award Template/allowable cost schedule for each award fund within BEN Financials. If an expense is not reimbursable by the award, the respective object code will not be mapped to the Award Template unallowable cost schedule. The Office of Research Services reviews the mapping to ensure that the allowable object code mapping in BEN Financials agrees to the listing of allowable costs per the grant agreement.

Weekly, ORS runs a mismatch report to ensure that grant information in PennERA mirrors the grant information in BEN Financials (Both General Ledger and Billing and Receivables System). Upon completion of account set-up, expenses can be charged against the award, to allowable object codes only.

Principal Investigator approval is required for all charges against an award fund. When a need for a purchase or travel is identified, the PI submits a request to his/her Business Administrator ("BA"). The BA is responsible for maintaining documentation of the appropriateness of the expense, including ability to justify relevance to grant to which the expense is charged, the expenditure amount, the period in which the expenditure should be charged, and evaluation of the remaining allowable grant budget. The PI reviews and approves the expense via various methods depending on the individual PI, including but not limited to evidence by his/her signature on the invoice, evidence of their signature on a monthly expenditure report, or other evidence of approval of the allowability of the expense. The BA then submits the request, including documentation of the allowable object code to be used, into the appropriate feeder system (i.e. Ben Buys or Travel & Expense Management).

The feeder systems will batch the expenditures into BEN Financials. When the feeder system posts the expense to the allowable object code(s) in BEN Financials, revenue is automatically recognized for the fund in object code 4600. For non-LOC grants, the corresponding offsetting entry creates with a receivable balance, which is posted to object code 1220 within BEN Financials. For LOC grants, the receivable is posted to a cash holding account (CHA). Expenses charged to unallowable object codes will not trigger revenue recognition for the grand fund. Instead, the expense will be charged to the department, and deducted from the department's expense budget.

The grant's Principal Investigator along with the Business Administrator are responsible for monitoring actual outlays in comparison to budgeted amounts, and authorizing expenditures for the grant project. On a monthly basis, the Office of Research Services generates management reports, based on information in BEN Financials and BBR, via Webi reports. The monthly reports include a comparison of the current month figures for expenditures, billings, and A/R, to totals for the prior month and prior year. The monthly management reports are reviewed and approved by the Pre-Award and Post-Award Departments of the Office of Research Services.

It is noted that the projects account end date is entered into PennERA during the award process set-up. This is fed into BEN financials during the nightly batch process. When this date has been reached, expenditures will not be processed and rejected from BEN, except for those with existing purchase orders before the freeze date. This is called funds freezing.

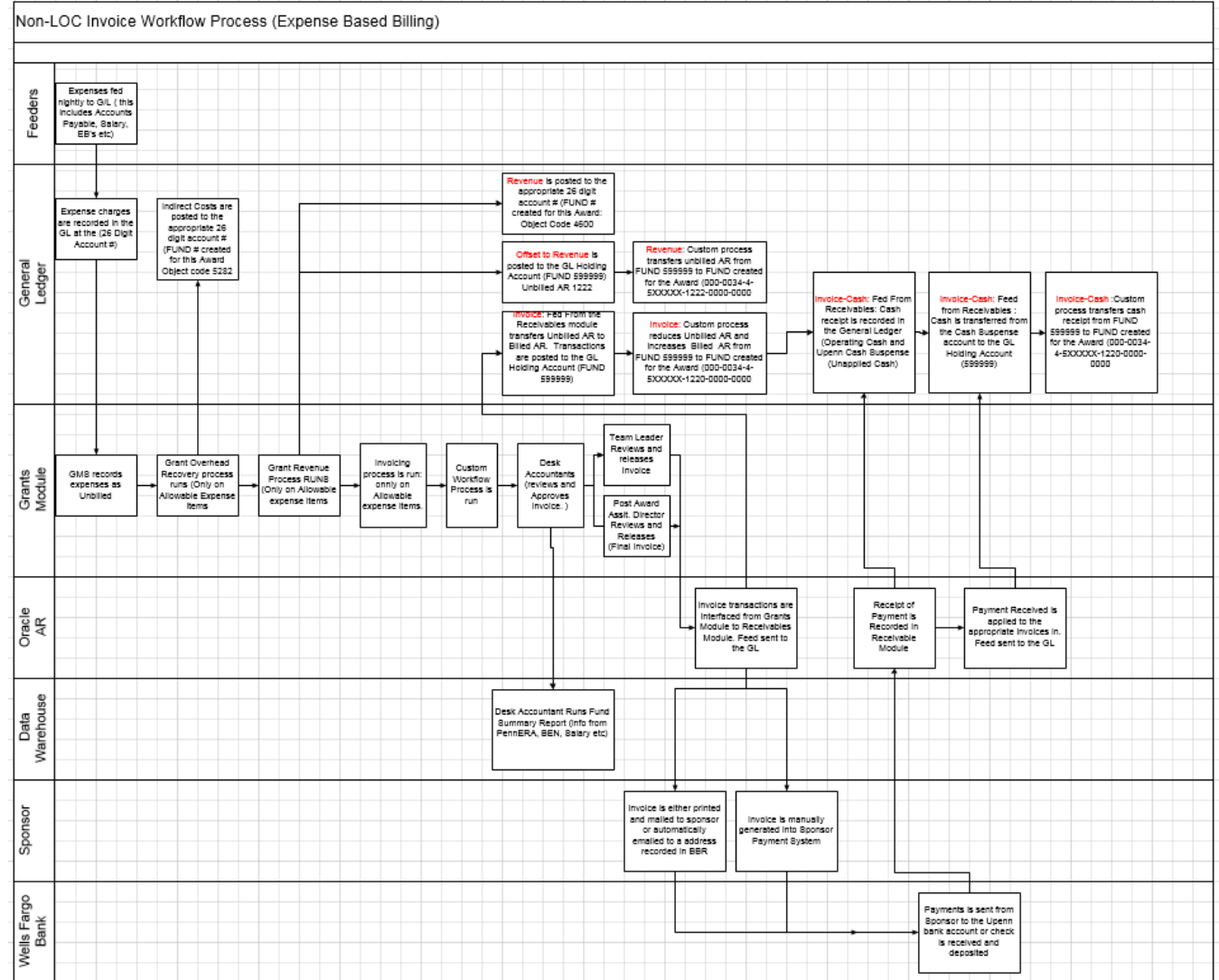
Invoicing non-LOC

On a monthly basis, the Office of Research Services Post-Award Department runs the custom BBR Invoicing Process which generates a "Draft" unapproved invoice in the Billing System. ORS then runs the BBR Invoice Report from Webi to identify all awards due for invoicing in the current month. The Post-Award Department staff member runs a business object query for each fund to display the prior month-end cumulative expenditures per the G/A, and all prior month end totals. The Post-Award staff member reconciles the G/L and billing information to ensure that the sum of all prior month end totals agrees to prior month end cumulative totals. Next, the Post Award staff compares the sum of the current expenditures plus prior invoiced cumulative expenditures to current cumulative totals in both BBR and GL. Additionally, the indirect cost rate is calculated and agreed to the BBR invoice and GL report to ensure that both systems accurately reflect the sponsor's allowable overhead rate. Finally, the Post-Award staff member compares the expenditures project-to-date to the project budget to ensure that the expenditures do not exceed the total amount reimbursable by the sponsor.

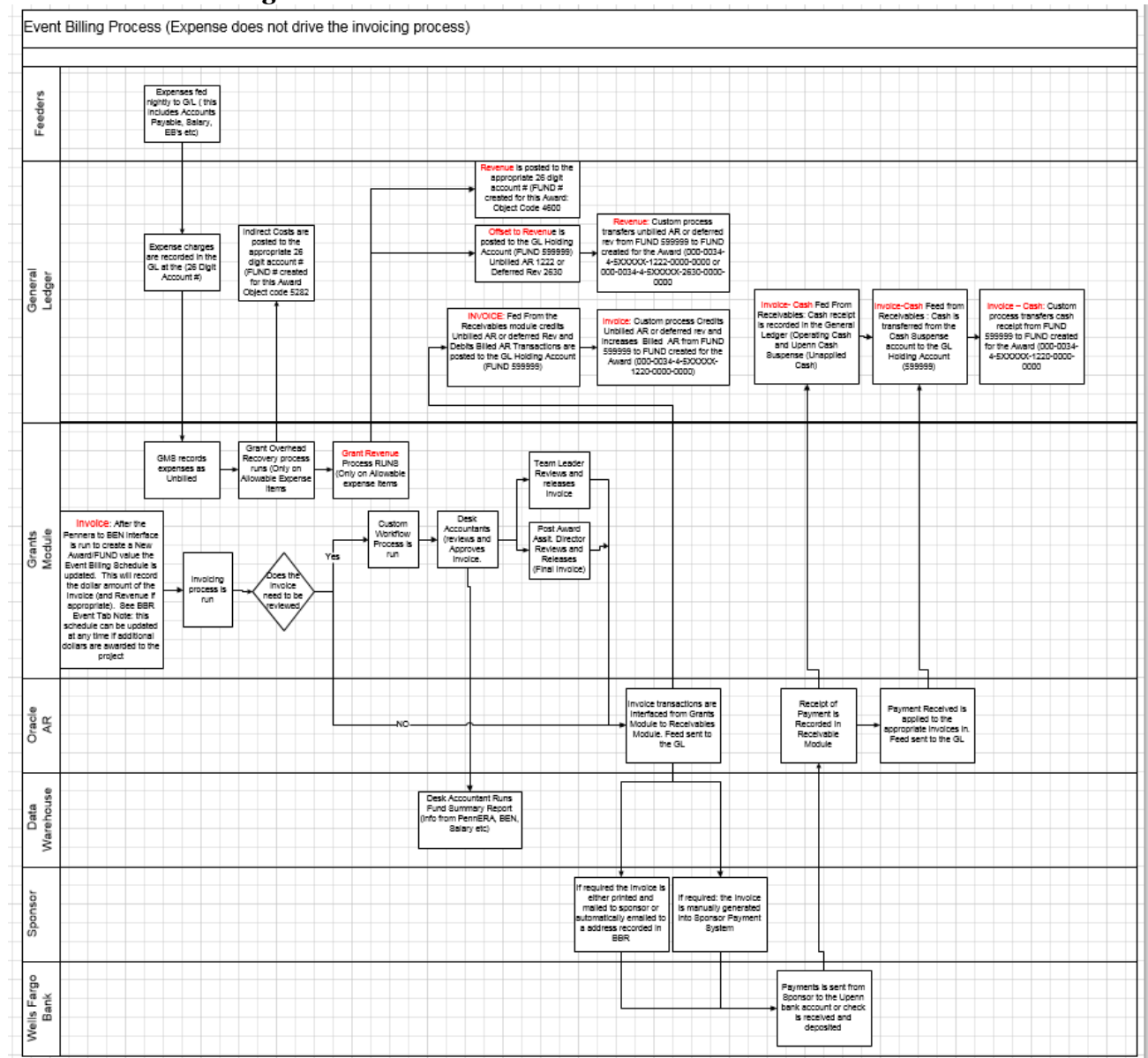
The invoices are reviewed and approved by the appropriate team leader or Assistant Director before being mailed / e-mailed to the sponsoring agency. It is noted that each school has a designated accountant assigned to manage the school's/department's grants. Robert Speakman,

Associate Director of Research Operations and Cash Management, performs monthly BEN Financials to BBR reconciliation for all grants and contracts.

Cost Based Invoicing:



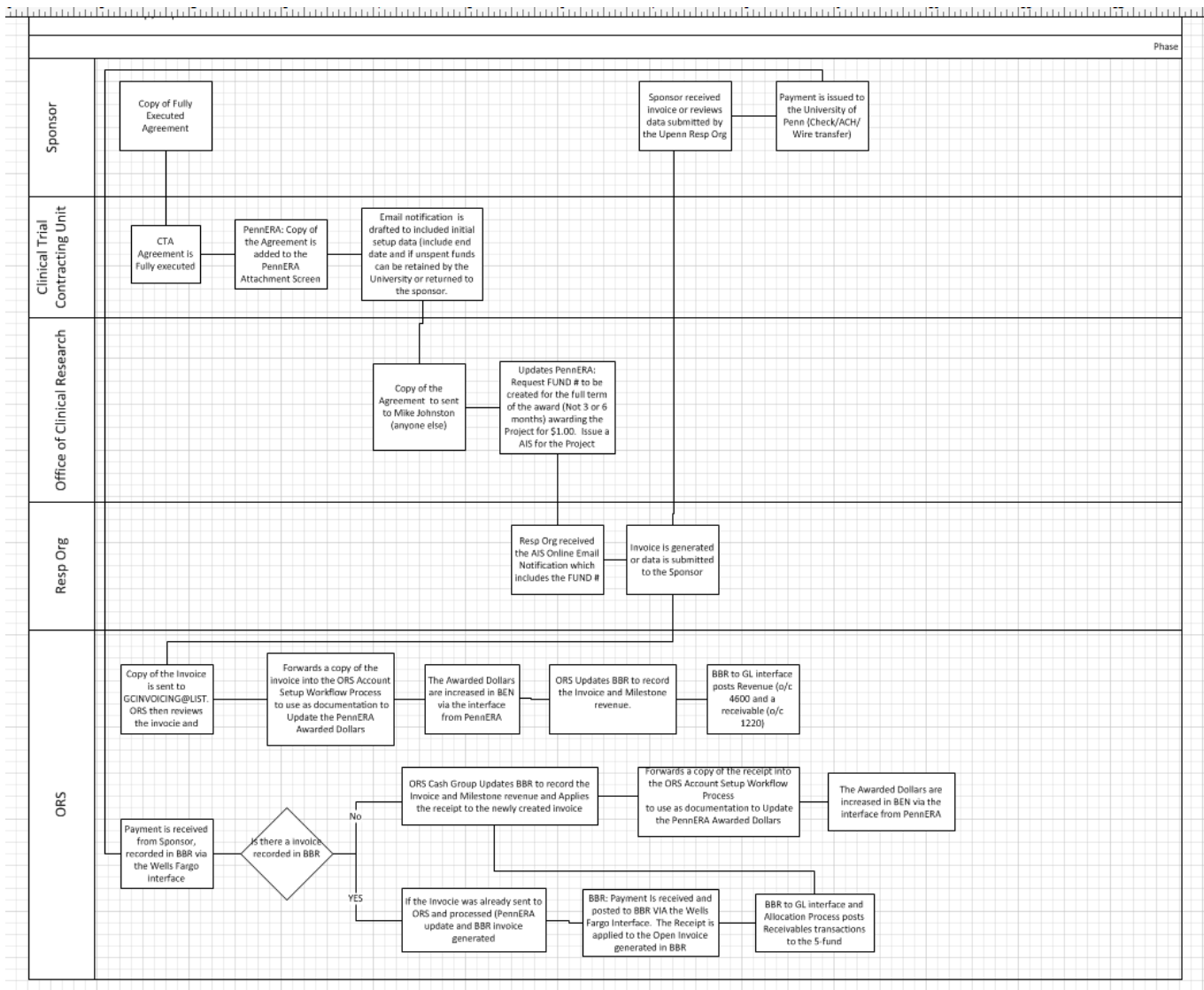
Event Based Invoicing:



Clinical Trial Agreements:

Beginning on 07/01/15 the revenue recognition rules for newly awarded clinical trial agreements updated to correspond to the Milestone Method of Revenue Recognition. Revenue for these projects will no longer be recognized as expense is recorded to a 5-fund. Instead the BEN Billings and Receivable system will be updated when an invoice is submitted per the completion of a milestone to record the receivable and generate grant revenue. The receivables and revenue activity will then be fed into the general ledger and allocation to the individual 5-fund.

Process flow is displayed below:



Monitoring:

The B.A.'s and the P.I.'s are responsible for monitoring actual outlays compared with budgeted amounts for each award. Monthly, the Pre-Award and Post-Award Departments review management reports comparing the expenditures, billings and AR against prior year and prior month. Reports are generated from built-in scripts written into both PennERA and BEN Financials. Weekly, the PennERA and BEN Financials Mismatch report is produced and reviewed by a member of the ORS Operations group. This report lists all awards for which the billing information, CFDA#, account start, and account end etc. do not match within PennERA and BEN Financials. Any differences are investigated and corrected immediately. A number of other mismatches appear on this report that are deemed less significant, such as PI and Budget End.

At month-end, a status report is generated from information contained in BBR and BEN, including data for monthly awards, expenditures, billing, SFR data, and receivables. The month-end status report is sent to all of the ORS department heads for review and approval. As the sponsored revenue and receivables process is carried about by several sub-departments within the Office of Research Services, this report is the culmination of all of their efforts.

Receipt of Payments:

Payments are received in the form of checks delivered to ORS, checks delivered to the Wells Fargo lockbox, or electronic funds transfer (ACH or Wire). All payments received for sponsored projects are reviewed by the ORS Research Operations and Cash Management Group to determine the appropriate award fund to post the receipt of the cash.

Lockbox Payments

Departments are assigned P.O. Box numbers linked to a 26 digit account number. The sponsors will transfer payments using the appropriate account numbers. The Treasurer's Office creates a lump sum journal entry based on the Bank Account number that is fed into BBR and recorded in the ORS suspense account in the general ledger and then into BBR to match the payments to their corresponding invoices. The ORS Cash Management Group reviews copies of the checks, with accompanying attachments such as invoices and memos from the sponsors, from the Wells Fargo website. The ORS Cash Management Group staff member identifies the invoice associated with a payments using BBR and Business Objects, and then applies the payment to the invoice in BBR. This action will generate a journal entry to record the cash receipt first being posted to FUND # 599999 and then a custom process allocates the payments to the appropriate FUND # in the general ledger.

Check Payments

All checks payments for research grants must be mailed directly to the ORS Department. Delivered checks are received by the ORS Administrative Assistant and recorded in an Access Database (Checks Database). The following data items are entered into the Access database by the Administrative Assistant: Sponsor name, amount, fund number (if available), check number; check date and the date of receipt. The checks with all attached correspondence are given to ORS Post Awards staff with a print screen displaying the day's entries into the Access database. The Cash Management Group staff verifies that all check payments entered into the access database have been received. The staff member identifies the FUND associated with the payment using Business Objects/Webi reports based on BBR, PennERA and BEN Financials data. The staff submits on line deposits on a regular basis via a scanner with feds the deposit directly to Wells Fargo and to BBR. This process generates a nightly journal entry feeder to BEN Financials to record the cash receipt in the general ledger to the ORS suspense account. The ORS Cash Group then applies the payment to the invoice in BBR. This action will generate a journal entry to record the cash receipt first being posted to FUND # 599999 and then a custom process allocates the payments to the appropriate FUND # in the general ledger.

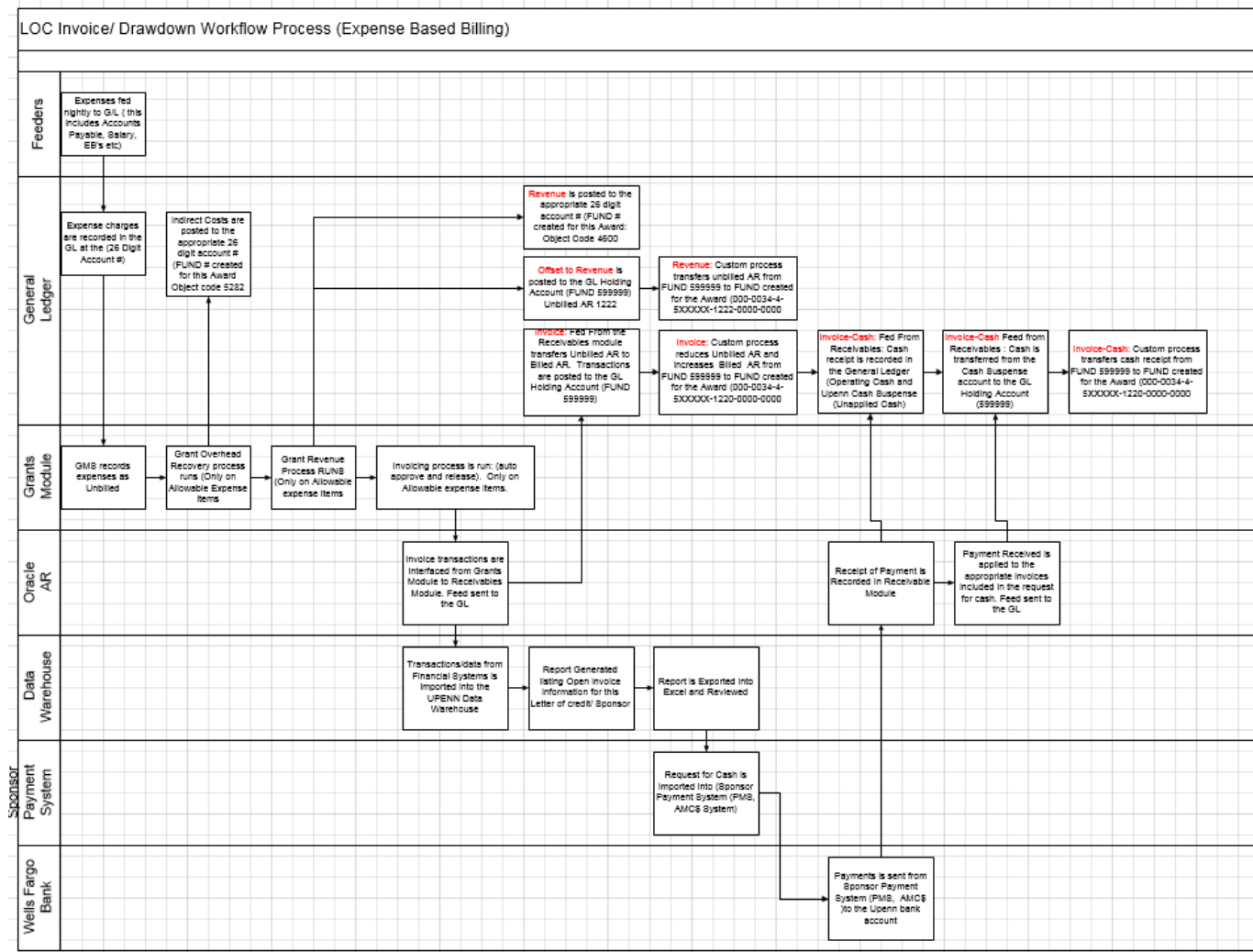
ACH/Wire Payments

All ACH/Wire Payments information is fed directly into BBR via a nightly interface. The ORS Cash Management Group reviews copies of the checks, with accompanying attachments such as invoices and memos from the sponsors, from the Wells Fargo website. The ORS Cash Management Group staff member identifies the invoice associated with a payments using BBR and Business Objects, and then applies the payment to the invoice in BBR. This action will generate a journal entry to record the cash receipt first being posted to FUND # 599999 and then a custom process allocates the payments to the appropriate FUND # in the general ledger

Letter of Credit (LOC) Drawdowns:

Invoices that are generated in BBR related to LOC drawdowns are never printed. The invoice totals are used to submit the drawdown requests for each LOC sponsor. The process for submitting LOC drawdown requests can vary for each sponsor. For the majority of the LOC awards, a request is processed once the balance to be drawn exceeds \$40,000, or when one month has passed since the last drawdown. The amount of activity in NIH and NSF is great enough that the drawdowns are completed several time a week. To obtain the balance to drawdown, the Cash Management Group within ORS monitors the receivables generated in BBR via Webi reports Jennifer Rowan, Associate Director of Cash Management, will run an object query report via WEBI for all LOCs in the morning for the prior day activity. This invoice information is pulled from BBR and will populate an excel file, Jennifer enters the information

into the federal grant reimbursement system. Generally, the University receives the payment via ACH or wire within one to two business days.



Financial Reporting:

Revenue Recognition is standard BEN Financials- Grants Module function, during which the expense charged to a research award triggers the recognition of revenue (object code 4600) and a receivable (object code 1222 or 2630). Revenue / object code 4600 transactions are automatically posted to the appropriate 5-digit fund accounts based on the account mappings defined in the Revenue Recognition Control Table. Object code 1222 and 2630 revenue related transactions are posted to individual 5-ledger FUNDS via a custom Revenue – Allocation process. Deferred revenue (object code 2630) and unbilled receivable (object code 1222) are used for event invoices and advance payments in which revenue is recognized, but not billed. Receivable (object code 1220) is only affected when the invoice is submitted. When the associated payment is received, the cash is posted in BEN Financials to the fund's A/R object code 1220 G/L account. The posting of the cash receipt (object code 1110) offsets the receivable balance generated via the Invoice Allocation Process.

Refer to below journal entries for the grant revenue recognition process:

Cost Based Revenue Recognition:

1. Revenue Recognized:
 Dr. 1222 Unbilled Receivable
 Cr. 4600 Revenue
2. Invoice billed:
 Dr. 1220 Receivable
 Cr. 1222 Unbilled Receivable
3. Cash Received:
 Dr. 1110 Operating Cash
 Cr. 1220 Receivable

For grant advances, refer to the below journal entries:

1. Invoice billed:
 Dr. 1220 Receivable
 Cr. 2630 Deferred Revenue
2. Cash Received:
 Dr. 1110 Operating Cash
 Cr. 1220 Receivable
3. Revenue Recognized:
 Dr. 2630 Deferred Revenue
 Cr. 4600 Revenue

Event/Milestone Based Revenue Recognition

	Expense recorded in the GL		
Credit	000-0001-1-000000-1110-0000-5000	100.00	Operating Cash
Debit	xxx-xxxx-4-5xxxxx-5XXX-XXXX-XXXX	100.00	Expense posted to the FUND
	Note: Revenue will NOT be recognized until the Milestone has been met: invoice is submitted to ORS or cash is received)		
	(Completion of a Milestone/ Amount greater than expense posted to the FUND)		
Credit	XXX-XXXX-4-5XXXXXX-4600-XXXX-XXXX	250.00	Revenue
Debit	000-0034-4-5XXXXXX-2630-0000-0000	250.00	Deferred Revenue
Credit	000-0034-4-5XXXXXX-2630-0000-0000	250.00	Deferred Revenue
Debit	000-0034-4-5XXXXXX-1220-0000-0000	250.00	Billed Receivable
	Cash is Received:		
Credit	000-0034-4-5XXXXXX-1220-0000-0000	250.00	Billed Receivable
Debit	000-0001-1-000000-1110-0000-5000	250.00	Operating Cash

To limit the dollar amount of allowable GRANTREV recovery, a "budget" amount is recorded in the BEN Financials Grants Module for each 5-digit fund account. The PBIL/Billable budget balance is equal to the total amount that the sponsor will reimburse the University for each Project (i.e. total award amount). Any allowable expenses posted to a 5-digit award fund in excess of PBIL/Billable Budget will automatically be classified as overdrafts, and will not automatically trigger the GRANTREV process.

At month-end, an ORS staff member generates a status report based on information contained in BEN Financials, both BBR and the General Ledger. The report includes data for monthly awards, expenditures, billing, SFR data, and receivables. The staff member sends the monthly report to the ORS department heads (inclusive of Keith Dixon, Director, Susie Won, Director, Kim Garrison, Director, and Missy Peloso, Associate VP of Research Services) for review and approval.

The ORS Department Heads' approvals indicate his/her confirmation that the report information relevant to the processes under his/her oversight is correct. As the sponsored revenue and receivables process is carried about by several sub-departments within the Office of Research Services, this report is the culmination of all sub-department efforts. Should one sub-department's balances be incorrect, it may affect the accuracy of the other departments' balances. The monthly review by the various department heads of the report gives confirmation that no changes/updates are necessary.

Valuation Analysis:

Requests for Write-Offs are submitted to the both the Research Operation and Cash Management and Post Award Director for approval. Full Reserve Analysis is completed on a quarterly based upon the prior month collection history. During interim months, an analysis which reflects write-offs, reversals or any other adjustments and their impact on the reserve amount is prepared.

At the end of each fiscal year, a historical analysis is performed. Based upon collection history, a % level is set for reserving current receivables (under \$100,000). Any receivables with an end date in the current or prior calendar year and a receivable of under \$100,000 is reserved at the historical collection level. Any receivables with an end date prior to the current or prior calendar year or a receivable amount in excess of \$100,000, are reviewed individually by the Accounts Receivable Group. This group designates a "likelihood of collection" of High, Medium or Low. These designations are reviewed and approved by the Post Award Director. Awards which are determined to have a high likelihood of collection are reserved at the % level determined above. Any awards determined to have a medium or low likelihood of collection are reserved at 100%. The reserve is adjusted quarterly via a debit or credit, as appropriate, to 000-0001-1-000000-1229-0000-0000 and 000-0001-1-000000-5285-0000-0000 (Bad Debt Expense).

All requests for write-offs must be approved by the Post-Award Director and the Research Operations and Cash Management rector. On a quarterly basis, a Full Reserve Analysis is completed by Kim Garrison, Director of ORS, based upon the prior month collection history. During interim months, an analysis is prepared to evaluate write-offs, reversals, and other adjustments, and their impact on the reserve amount.

SEFA Reconciliation

At year end, Bob Speakman, Associate Director Research Operations and Cash Management, generates the SEFA report from BBR from a built-in script written into the BBR system. To ensure the completeness of the SEFA, Bob Speakman and Kim Garrison, Post Award Financial Administration Director, prepare a reconciliation of the total expenditures per the SEFA to sponsored program revenue reported in the financial statements.