Accounting for Grants

[Note – this document is a work in process. Additional content topics will continue to be added.]

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University-level Policies and Procedures

Please use this accounting guide in connection with university-level policies and procedures for Sponsored Projects Administration/Research Administration.

Facilities & Administration Costs and Recovery

When Grants are direct-charged for allowable expenses, the accounting system automatically performs what is known as “award cost processing”. This process calculates the facilities and administration (F&A) overhead charge, as applicable, and books that expense directly to the Grant. F&A expense is charged as a debit using ledger account 91017 (Allocation Expense – F&A Indirect Costs) and also carries the spend category of the original direct charge in order to allow for grant-level reconciliation.

The offset of F&A expense is the F&A credit or recovery. These credits are booked centrally at the Planning Unit level (as applicable) or within the central University General unit.

The desired behavior is for the F&A credits to post in one distinct COA combination for each planning unit. In Workday, this accounting outcome is accomplished in two distinct steps:

1. Original F&A process books the credit to the COA designated by each applicable planning unit in the “revenue allocation profile”:
   - This contains the worktags of: Yale Designated, Cost Center, Program, Project, Fund and a mandatory Assignee of ZZZ1004 (Department Chair).
   - Also contains the Grant from the original direct charge
   - F&A credit is charged as a credit using ledger account 51017 (Allocation Credit – F&A Indirect Costs) and revenue category RC086.
   - If a Unit has 3 Grants, there will be 3 separate rows containing F&A credit; the only difference in the COA combination is the Grant number.

2. Month-end Allocation runs to consolidate these credits to one COA combination:
   - Debit and credit of this allocation both book to ledger account 51052 (Allocation Credit-Reallocation of System F&A Credits) and revenue category RC108.
   - This ledger account (51052) rolls up to the same row in the Statement of Activities (SOA) as ledger account 51017.
- Debit transfers the initial credit off of the Grant COA combination; credit transfers the initial credit onto a non-grant COA combination. Net balance at the detailed COA-level is updated accordingly.

**High Level Accounting Flow – Department View**

Example assumes direct charge of Supplies - Research. Note that the ledger account and spend category will vary based on the nature of the direct charge (payroll and non-payroll). All accounting events occur at the time of the original direct charge except for the month-end allocation shown in row “e”.

<table>
<thead>
<tr>
<th>Business Event</th>
<th>Accounting Components</th>
<th>Remaining COA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a</strong> Direct Charges</td>
<td>Dr. 81018/SC423 (natural expense)</td>
<td>Grant + remaining related worktags (CC, PG, PJ, ASSN) and FD02 or FD28</td>
</tr>
<tr>
<td><strong>b</strong> Revenue Recognition on Directs</td>
<td>Cr. 41000/RC006</td>
<td>Same as “a”</td>
</tr>
<tr>
<td><strong>c</strong> Award Cost Processing – books F&amp;A</td>
<td>Dr. 91017/SC423 Cr. 51017/RC086</td>
<td>Dr. Same as “a”&lt;br&gt;Cr. Grant + COA from Revenue Allocation Profile&lt;br&gt;Example - 3 Grants for the unit, credits will be on 3 COA combinations: GR1xxxx1.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30&lt;br&gt;GR1xxxx2.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30&lt;br&gt;GR1xxxx3.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30</td>
</tr>
<tr>
<td><strong>d</strong> Revenue Recognition on Indirects</td>
<td>Cr. 41000/RC006</td>
<td>Same as “a”</td>
</tr>
<tr>
<td><strong>e</strong> Month-end Allocation - Consolidate F&amp;A Credits</td>
<td>Dr. 51052/RC108 Cr. 51052/RC108</td>
<td>Dr. Grant + COA from Revenue Allocation Profile&lt;br&gt;Cr. COA from Revenue Allocation Profile&lt;br&gt;Example – total of the 3 credits from “c” above now consolidated into one COA combination: YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30</td>
</tr>
</tbody>
</table>