BUSINESS AND FINANCE DEPARTMENT
Grants Accounting

Effective Date: 8/1/2026

GRANTS RECONCILIATION AND CLOSEOUT POLICY

Policy Number	554-01
Approval Authority	Chief Financial Officer
Responsible Administrator	Controller
Responsible Office	Business and Finance
Policy Contact	Director of Grants Accounting

1.0 POLICY STATEMENT

Tennessee State University is committed to timely reconciliation and closure of all sponsored awards in accordance with applicable federal regulations, including Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200), as well as any sponsor-specific terms and conditions. This requires the timely review and correction of financial and administrative records, the accurate submission of all required technical and financial reports, and the proper disposition of equipment, program income, and cost share. These practices support compliance, uphold sponsor expectations, and safeguard the University's fiscal accountability, administrative integrity, and long-term eligibility for sponsored funding.

2.0 IMPORTANCE AND REASON FOR THE POLICY

The University is responsible for completing all required administrative and programmatic actions and for the timely and accurate reconciliation and closeout of all sponsored awards. Final financial, performance, and sponsor-required reports must be submitted no later than 120 calendar days after the end of the period of performance for Federal awards, as required by OMB Uniform Guidance, and 60 calendar days for State awards. Sponsored awards not addressed above must be closed within the timeframe established by the sponsor or award agreement, where applicable.

Failure to comply with this policy may result in administrative or corrective action in accordance with University policies and procedures, including but not limited to restriction of spending authority, escalation to leadership, and potential non-payment or disallowance of costs.

3.0 DEFINITIONS

Allocable Costs - Costs that provide a clear benefit to an award and can be charged in proportion to that benefit.

Allowable Costs - Costs that meet the applicable requirements of 2 CFR 200.403–405, including being necessary and reasonable for the performance of the award, allocable to the award, consistently treated, adequately documented, consistent with University policies and procedures that apply uniformly to federally financed and other University activities, and compliant with applicable Federal cost principles and award terms.

Administrative Requirements - Federal and sponsor-specific rules governing fiscal management, reporting, property management, and general award administration.

Audit Trail - A complete, organized record of documentation that supports financial and programmatic action taken on the award. This documentation is required for audits, reviews, and closeout.

Closeout - The formal administrative process at the end of an award through which all required financial, programmatic, property, and administrative actions are completed and documented.

Cost Share / Cost Sharing - The portion of a project's costs not paid by the sponsor but contributed by the University or a third party. Cost share can be mandatory (required by the sponsor) or voluntary (offered by the University).

Disallowed Cost - An expense determined to be unallowable by the sponsor or auditor. Disallowed costs are absorbed by the University or department.

Drawdown (Draws) - A request for payment from the sponsor's payment system (e.g., PMS or ASAP) based on actual cash needs. Drawdowns must reflect real, supported expenditures.

Final Financial Report (FFR) - The sponsor-required closeout report summarizing total expenditures, unobligated balances, program income, and cost share. It must match the University's reconciled accounting records.

Final Performance/Technical Report - A narrative report describing project results, achievements, and outcomes. This report is required for closeout and must align with objectives stated in the award.

Financial Analyst - The University's staff member responsible for providing financial oversight, analysis, reconciliation, and compliance support for sponsored project accounts.

Grant Fund - A restricted funding source established to account for financial activity related to a sponsored award received from an external entity (e.g., federal, state, local government, or private sponsor). These funds are governed by specific terms and conditions outlined in the

award agreement and must comply with applicable regulations, including OMB Uniform Guidance.

Indirect Costs (F&A Costs) - Facilities & Administrative costs that support sponsored activities but cannot be directly allocated to a single project and are charged using a federally negotiated rate or sponsor-restricted rate.

Internal Controls - Processes and procedures designed to support allowable costs, accurate financial data, and University compliance.

Non-grant Fund - A funding source that is **not tied to a sponsored award** and is generally used to support institutional operations, auxiliary activities, or internally designated purposes. These funds are governed by University policies rather than external sponsor requirements.

Period of Performance - The time during which charges are allowed under an award. It begins on the official start date and ends on the official end date as defined in the award document. Costs incurred outside this period are unallowable unless explicitly approved.

Principal Investigator (PI) - The lead researcher and the individual primarily responsible for the design, execution, management, and oversight of a sponsored project.

Prior Approval - Written sponsor authorization required before undertaking specific actions (e.g., rebudgeting, no-cost extensions, equipment purchases).

Program Income - Gross income earned by the University that is directly generated by a sponsored project.

Property – Real or personal property acquired under an award. Personal property may be tangible or intangible.

Property / Equipment Report - Documentation showing equipment or real property purchased with award funds, its usage, and final disposition.

Reconciliation - A systematic review comparing internal University financial records to sponsor records to verify that all charges are accurate, allowable, properly recorded, and consistent with award terms before closeout.

Record Retention – For Federal awards, the requirement to retain award documentation generally for three years after submission of the final FFR, subject to applicable exceptions or longer retention requirements. Records must be accessible for audits or sponsor inquiries.

Subaward Closeout - The process where the University collects final invoices, reports, and certifications from subrecipients and reconciles these before closing the prime award.

Subrecipient - An entity that receives a subaward from the University to conduct part of the sponsored project. The University is responsible for monitoring subrecipients and their completion of closeout tasks.

Unallowable Costs - Expenses that cannot be charged to the award because they fail Uniform Guidance allowability criteria or are prohibited by sponsor terms.

Unobligated Balance - The portion of the awarded funds not obligated or spent by the end of the period of performance.

4.0 PROCEDURES

I. Monthly and Financial Closeout Reconciliations of All Grant Financials (contracts, subledgers, expenditures)

A. Monthly Reconciliations - Throughout the life of the grant, the Financial Analyst performs regular (e.g., monthly) reconciliations of all expenditures charged to the grant, including payroll, direct costs, indirect costs, and cost-share/matching. This helps catch mischarges or unallowable costs early.

B. Final Closeout - The Financial Analyst will verify that all expenses posted in Banner under the grant/fund are allowable, were incurred within the award period of performance, and that there are no unliquidated obligations or encumbrances.

C. Encumbrances - For outstanding purchase orders, commitments, and other encumbrances, the Financial Analyst and the Principal Investigator (PI) must verify that they are either liquidated (goods/services received and invoiced) or formally closed or zeroed out before the final closeout.

D. Subrecipient awards/Sub-awards - The Financial Analyst and the PI will confirm receipt of subrecipient closeout documentation (i.e., subrecipient final financial reports, documentation of liquidated obligations, and property and property-use documentation).

E. Open POs and Outstanding Invoices - The Financial Analyst will advise the PI to close open POs and submit outstanding invoices for payment before the award closeout period ends.

II. Reconciliation & Closeout Requirements

A. Required Reports Submission – The Financial Analyst and PI are responsible for submitting all required reports, including financial and performance reports, to the awarding agency. These reports, along with any other required deliverables, must be submitted no later than 120 calendar days after the end of the period of performance for Federal awards, 60 calendar days for State awards, or within the timeframe established by the sponsor or award agreement for other sponsored awards, where applicable. If the awarding agency grants an extension, the deadline may be adjusted accordingly.

B. Liquidation of all Financial Obligations - Liquidate all financial obligations incurred under the award no later than 120 calendar days after the end of the period of performance for Federal awards, 60 calendar days for State awards, or within the timeframe established by the sponsor or award agreement for other sponsored awards, where applicable. This includes all allowable invoiced, procured, and contracted goods and services rendered or received.

C. Return of Unobligated/Unexpended Cash - Return any cash that is unobligated or unexpended (including unspent advance funds) to the sponsor if carryover is not authorized.

D. Real or Tangible Property – The PI must account for any real or tangible property acquired under the award.

E. Cost-sharing and Matching Requirements – The PI and Financial Analyst are tasked with verifying and documenting compliance with all cost-sharing or matching requirements, if applicable.

F. Maintenance of Source Documents – The PI and Financial Analyst are required to maintain comprehensive and auditable source documentation so that it remains available for potential audits after project closeout.

G. Closeout Preparations

1. The PI and Financial Analyst will begin closeout preparations **3 months before** the grant end date to forecast final spending, identify outstanding commitments (encumbrances, POs, pending invoices), cost-share, program income, and property.

2. The PI and Financial Analyst will maintain a standardized closeout checklist that includes reporting, financial liquidation, property, cost share, subrecipient compliance, and reconciliation documentation.

III. Banner Finance / Ellucian Banner Monthly Reconciliations and Closeout

The Grants Accounting Office will use the steps outlined below to close grant funds/contracts in the Banner system.

A. Identify the grant in Banner using the grant/fund code in FRAGRNT (Grant Maintenance) to review the grant's details (start and end date, fund code, sponsor, PI, status, cost code).

B. Use the accounting inquiry screens (e.g., FRIGITD – Grant Inception-to-Date and FGITBSR – Trial Balance Summary) to review fund activity, encumbrances, available budget, outstanding accounts payable balances, cost-shares, travel advances, and available balances. Also, run the Organization Detail Activity (FGRODTA) and the Balance Sheet (FGRBLSH) reports for the period(s) reviewed to document and track activity and changes. This

provides a full picture of activity, commitments, and revenue. (Maintain a screen print of the year-to-date and monthly expenditure and revenue activity.)

C. Identify and clear all open encumbrances / obligations via the Open Encumbrance Report (FGROPNE). If there are outstanding POs, notify the PI or Program area to request the necessary reversals from Procurement, Accounts Payable, and/or IT to close orders in SciQuest and Banner. (Maintain correspondence accordingly in the closeout file.)

D. Run the Labor Distribution Data Inquiry report (NHIDIST) to verify, where applicable, that all labor is posted within the award period of performance. Also, obtain, verify, and maintain related Personnel Action Request Forms (PARFs) for each employee identified. Review for errors and complete the necessary research to determine the appropriate action (i.e., labor redistribution or expense reallocation). Request that the PI submit updated PARFs to reallocate all personnel salaries off the expiring grant.

E. According to the indirect cost agreement, subaward/subcontracts expense allocation for each award agreement; (the first $25K of expensed cost prior to 7/1/2026; on new awards after 7/1/2026 indirect cost is charged to the first $50K), charged to account 74441 to charge indirect cost appropriately to the fund. Remaining costs charged above the first $25K/$50K for each subaward/subcontract post to account 74442. Prepare the necessary journal entry to reallocate the expense(s), if applicable.

F. If indirect costs are applicable to the award, verify that the applicable indirect cost rate is applied to the modified total direct cost (MTDC) base for the award. If there is an error in the calculation, identify the cause and prepare the necessary journal entry to adjust the account.

G. Reconcile credit authorizations submitted for approval against scholarship award expenditures (account 79710) to verify proper allocation and classification. Promptly communicate identified errors to the Financial Aid Office for correction within the closeout period. Maintain related correspondence in the closeout file.

H. Prepare the request for reimbursement via current or final invoice or drawdown for any residual outstanding balances according to the award agreement. Submit the completed invoice to Grants Accounting Office (GAO) management for review and approval. Do not submit invoices to the awarding agency without the authorized signature(s). When closing out a grant after the applicable closeout period, in addition to the reconciliation support documentation, also include justification for the late closeout and corresponding action(s).

I. Maintain a revised/updated screen print of the year-to-date and monthly expenditure and revenue activity. Re-run the Organization Detail Activity

(FGRODTA) and the Balance Sheet (FGRBLSH) reports for the period(s) reviewed to document and track changes in activity.

J. Verify revenue receipt or return for the award for allowable expenses within thirty (30) calendar days of the submission of an invoice or the final invoice. Follow up with the Grantor agency to determine when the payment will be received. Complete drawdowns within 25 days following the end of each month or no later than 60-to-120 calendar days of final closeout. (Maintain correspondence accordingly in the closeout file.)

K. Upon review and approval of a final reconciliation of an award, prepare a journal entry to reduce the remaining budget (if underspent), or to reallocate expenses (overspent), or to re-budget for cost-sharing.

L. Maintain the final revised/updated screen print of the year-to-date and monthly expenditure and revenue activity. Run the final Organization Detail Activity (FGRODTA) and the Balance Sheet (FGRBLSH) reports for the period(s) to document activity and track changes in Banner at the point of closeout.

M. Submit the journal entry prepared to clear out the remaining available budget for the award using the information contained on the Organization Budget Status (FGIBDST) screen in Banner.

N. Update the award status in Banner: change the status from “Active (A)” to “Inactive (I)” in FRAGRNT. In FTMFUND, filter for the grant/fund code, copy the record, and enter the “Effective Date” (current date) and “Termination Date” (07/02/YY, of the following fiscal year) to officially close the award in Banner.

O. Prepare the final financial reporting from the official Banner system of record. The Grants Accounting Office (or post-award office) should prepare the final financial report for submission to the Grantor, based on Banner data including all expenditures, cost share, residual transfers, and property. Submit the financial report for review, approval, and signature.

Table 1 - OMB Compliance and Banner Closeout Guidelines

Time Before/After Grant End	What to Do
Approximately 3 months before grant end	Begin closeout preparation: assess current spend vs budget; review obligations, encumbrances, cost-share commitments, property, program income, subrecipient status. Start updating closeout checklist. Starting closeout early (3 months out) prevents "fire-drills" at the end and supports timely identification and resolution of outstanding issues (unliquidated obligations, subrecipient docs, property).
Approximately 90 days before end (or earlier, per institution policy)	Notify PI / department that project is approaching end-of-performance; communicate deadlines; begin outreach for any pending invoices, subrecipient reports, property inventories, outstanding commitments, salary re-distributions, and submit updated PARFs.
Grant end date (award period of performance end)	No new obligations should be made (unless the sponsor has approved a no-cost extension). After the end date, only liquidation (invoicing, posting) is allowed.
0–30 days during grant period	Reconcile all expenditures in Banner; verify that all expenses are allowable and within period; clear encumbrances; assess cost-share and subrecipient deliverables; collect subrecipient documentation. Reconciling monthly (not just at the end) helps catch mischarges or unallowables early, which reduces risk of audit findings and avoids last-minute scrambling.
60 days (State) / 120 days (Federal) / Applicable deadline (Other)	Finalize and submit all required closeout reports (financial, performance, property, inventory, subrecipient) per sponsor/OMB requirements. Liquidate all obligations, return unspent funds, document property disposition.
Closeout in Banner	Make residual balance transfers or deficit transfers (as required), post adjusting journal vouchers, set grant status to closed/inactive, record termination date/status in Banner. Using Banner as the system of record for closeout supports effective management of transactions, encumbrances, cost-share, property, subrecipients, and residuals and provides a single authoritative financial record for audit & compliance.
Post-closeout archive	Retain all documentation (ledgers, receipts, invoices, property records, subrecipient reports, cost-share documentation) per record-retention policy in case of audit or later sponsor review. The integrated approach supports compliance with federal regulations (Uniform Guidance) while aligning with institutional accounting / ERP requirements. This minimizes risk (audit, disallowances, return of funds) and supports institutional financial integrity.

IV. Considerations for Contracts, Subledgers, Subawards, and Cost-sharing / Property/Residuals

A. Subawards/Subrecipients - Confirm receipt of final financial and performance reports within a specified timeframe, typically 90 days after the subaward period ends. Consolidate and incorporate subrecipient data into your overall grant closeout reporting.

B. Cost-Sharing Contributions - Confirm all cost-sharing contributions (cash or in-kind) posted in Banner; report cost as part of the total grant costs, per 2 CFR and any sponsor requirements.

C. Real/Tangible Property - If equipment or other property was acquired under the grant, document the asset tag information, location, use, disposition (retained, returned, disposed, transferred), and report per grant/agency guidelines. Property disposition often needs a separate form or report at closeout.

D. Residual funds (underspend) or deficits (overspend) - Use journal vouchers in Banner to move residual balances only when the award terms permit the University to retain and transfer the funds. Funds not authorized to be retained must be returned to the sponsor. Overspending and unallowable costs are to be transferred to an appropriate unrestricted departmental fund or organization.

Table 2 - Sample Grant Closeout Checklist

Actions to be taken	Owner of the Action	Status
Confirm project period end date, note on Banner (FRAGRNT), and alert PI/department.		
Review all open encumbrances, POs, and pending invoices to confirm that goods/services were received and invoiced, or close orders/uncommit funds.		
Reconcile all expenditures (direct, indirect, cost-share) via Banner (e.g., FRIGITD) and confirm that they are allowable, within the period, and properly categorized.		
Confirm receipt of subrecipient/subaward final invoices & reports, where applicable.		
Inventory and document all equipment/property acquired under grant; prepare disposition or retention report per sponsor requirements (PI/Program).		
Prepare and submit final financial report, final program/performance report, property/inventory report, cost-share documentation, subrecipient summary per sponsor/OMB terms.		
Return any unexpended funds or unobligated cash (if required).		
Generate and post necessary journal vouchers (residual transfer or deficit absorption) in Banner.		
Update Banner grant record: set status to “Closed/Inactive,” enter termination/status date.		
Archive all supporting documentation (ledgers, invoices, receipts, property reports, subrecipient docs) per institutional record-retention policy.		

5.0 AUTHORITY AND REFERENCES

The Office of Management and Budget (OMB) Uniform Guidance - 2 C.F.R. Part 200, including §§ 200.334 - 200.337 and 200.344 - 200.346; Subpart D (Post Federal Award Requirements); Subpart E (Cost Principles); Subpart F (Audit Requirements).

6.0 HISTORY

Policy 5.11.07	Restricted Fund Accounting: Grant Close-Out - Reporting, Refund, Inventories