Contracts & Grants
Award Closeout

Audit and Advisory Services

6/16/2020
Background

UCSF Audit and Advisory Services conducted a series of focus group sessions with business process owners within the Office of Sponsored Research (OSR), Contracts & Grants Accounting (CGA), and Department Research Administrators to develop process workflows and key risks and controls – see results in Appendix 1 and 2 of this report.

Based on the key risks and controls identified, we performed validation of the key controls and processes for the award close out process and summarized the findings in this report.

US Federal Code of Regulation Title2 § 200.343 stipulates the actions that the non-Federal entity and Federal awarding agency or pass-through entity must take at the end of the period of performance, including submission, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award.
As of March 2020, the total number of expired awards for FY2018 – FY2020 YTD are shown by control point below:

<table>
<thead>
<tr>
<th>Control Point</th>
<th>Federal &amp; Federal Flow-Through</th>
<th>Non-Federal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Vice Chancellor</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Global Health Sciences</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>VC Diversity &amp; Outreach</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>School of Dentistry</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>School of Medicine</td>
<td>233</td>
<td>361</td>
<td>594</td>
</tr>
<tr>
<td>School of Nursing</td>
<td>13</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>School of Pharmacy</td>
<td>24</td>
<td>19</td>
<td>43</td>
</tr>
<tr>
<td>Grand Total</td>
<td>285</td>
<td>404</td>
<td>689</td>
</tr>
</tbody>
</table>
Audit Objective, Scope and Procedures

Objective: The objective of the review was to validate that the key controls for ensuring the accurate and timely reporting at end of award performance are operating as designed.

Scope:

As part of this review, a sample of six expired awards were selected. Factors considered for selection included funding source and executed amount. The scope of the review covered expired awards for FY2018 through FY2020 YTD and included validation of the following key controls:

• Requests for changes (e.g. no cost extensions) that require sponsor approval are reviewed and submitted in the Research Award System (RAS)
• Establishment of the award's processing end date in RAS at award set-up
• Scheduled technical/progress reporting dates are entered in RAS
• Completion and submission of the Financial Reporting Certification (FRC) or Financial Status Report (FSR) by departments
• Performance of financial closeout review
• Reconciliation of Letter of Credit (LOC) drawdowns and balance sheet accounts
• Review of accrual report
Procedures Performed

- Reviewed process flow chart and risk and controls matrix to understand key controls in the closeout process for expired awards.
- Verified scheduled technical reporting date was entered in RAS.
- Reviewed requests for changes in RAS that required sponsor approval.
- Reviewed award processing end date set in RAS.
- Verified no posting of expenditures to the general ledger applicable to the period after award end date.
- Verified departments completed and submitted the financial report certification (FRC) for federal awards or financial status report (FSR) for non-federal awards.
- Verified CGA performed financial closeout review, which included: review for federal unallowable costs, credits, and the accuracy of indirect costs; verification that the FRC or FSR reconciles to the GL; and that CGA approved the FRC in RAS.
- Verified the Letter of Credit (LOC) drawdowns received reconciled to the federal revenue and expenses.
- Verified the balance sheet reconciled to the LOC drawdowns received to identify errors or areas of concern.
- Verified the review of the accrual report (for federal awards) to identify potential issues with revenue recognition or billing.
Summary

Based on the work performed, overall, the controls for the award closeout process are operating as designed. Request for changes in RAS and the FRCs were properly approved. In addition, CGA performed the financial closeout review, the LOC drawdown (for Federal awards) reconciled to the revenue and expenses, and the balance sheet was reconciled and cleared for closed awards.

Opportunities for improvement exists for ensuring consistent adherence to procedures and controls in for the scheduling of final technical/progress report milestone due date in RAS.

Details of the observation and recommendation are outlined in the following slides.
Technical/Progress Report

- At award setup, the annual and final progress report due date milestones are scheduled in RAS. The scheduled milestones will generate an automated notification to the Principal Investigator (PI) from RAS 60 or 90 days (dependent on sponsor requirements) in advance of progress report submission due date.

- One of six closed awards reviewed did not have the scheduled final progress report due date notification entered into RAS.

- The absence of due date notifications in RAS increases the risk that final progress/technical reports are not submitted timely by the PI and can result in the sponsor withholding payment.

Recommendation

CGA management should develop monitoring procedures to ensure that the technical/progress report notification milestone is setup in RAS.

Management Action Plan

By September 30, 2020 CGA team members will be reminded to adhere to department protocols for scheduling progress reports milestones at award set-up in RAS and corresponding monitoring procedures will be developed.
Abbreviations:

- Centralized Agreement Contact Tracking and Approval System (CACTAS)
- Contracts and Grants Accounting (CGA)
- Department (Dept.)
- Final Financial Report (FFR)
- Final Reporting Certification (FRC)
- Financial Status Report (FSR)
- General Ledger (GL)
- No Cost Extension (NCE)
- Office of Sponsored Research (OSR)
- Office of Technology Management (OTM)
- Principal Investigator (PI)
- Research Administration System (RAS)
- Research Services Analyst (RSA)

Footnotes:

1. At the discretion of the sponsor and PI, some awards may begin the closeout process due to early termination of the award due to a PI termination. This process requires collaboration among the Dept./PI, OSR, and CGA to process Relinquishment Statements and complete the award early termination closeout process (including equipment transfers, subcontract terminations, sponsor approval, et al).

2. CGA submits FSRs and/or Final Invoice when the sponsor has an online portal that requires submission by institutional financial authority.

3. NIH grants are required to submit the Final Invention Statement and Final Progress Report within 120 days of the budget/project end date; for all other awards, please check the sponsor's requirements.

4. CGA tracks whether requests to refile the FFR, FSR, or Final Invoice are generated internally (i.e., from the Dept./PI) or externally (i.e., from the sponsor). For external refile requests, CGA collaborates with the Dept./PI to discuss and refile according to the sponsor's requests. CGA also collaborates with the Dept./PI for internal refile requests. Internal, immaterial requests (e.g., under $5,000) are most often posted to a clearing account, but do not result in refileing with the sponsor; internal requests over $5,000 will be managed on a case-by-case basis after discussions with the sponsor.
<table>
<thead>
<tr>
<th>Key Area</th>
<th>Control Name</th>
<th>Control Description</th>
<th>Control Owner</th>
<th>Risk Category (Compliance/Operational)/Control Type</th>
<th>Acceptance of Risk Level</th>
<th>Federal Reference (Accreditation Standard/Compliance Rule)</th>
<th>Central Reporting Frequency</th>
<th>Risk</th>
<th>No. Manual</th>
<th>Preventative Key</th>
<th>Detective Key</th>
<th>Risk Control/Operational</th>
<th>Risk Control/Operational</th>
<th>Precedent Risk</th>
<th>Key Issuance</th>
<th>Precedent Risk</th>
<th>Key Issuance</th>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>Financial Reporting</td>
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<td>Preventative Reporting</td>
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<td>N/A</td>
<td>N/A</td>
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</tr>
<tr>
<td>Detective Reporting</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
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</tbody>
</table>

**Appendix 2: Award Close-Out - Risks and Controls Matrix**

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Control Level</th>
<th>Control Type</th>
<th>Preventative Key</th>
<th>Detective Key</th>
<th>Risk Control/Operational</th>
<th>Precedent Risk</th>
<th>Key Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Closeout-Final Reporting</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Risk-Not submitting final financial reports on time</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-Not submitting final financial reports accurately or completely</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-Award end date not updated in RAS</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-Internal, immaterial requests are most often posted to clearing account</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
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<tr>
<td>Risk-Internal, immaterial requests are not processed timely</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
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<tr>
<td>Risk-Final report not submitted by the PI or sponsor</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-PI not submitting report on time</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-Non-Federal entity not submitting report on time</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-PI not submitting report accurately or completely</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Risk-Non-Federal entity not submitting report accurately or completely</td>
<td>Yes</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Notes:**
- [N/A] indicates data not applicable.
- [Yes] indicates risk is mitigated.
- [No] indicates risk is not mitigated.
- [Manual] indicates manual controls are in place.
- [Automated] indicates automated controls are in place.
- [Preventative] controls are designed to prevent risks.
- [Detective] controls are designed to detect risks.
- [Operational] controls are designed to manage risks.
- [Compliance] controls are designed to comply with regulations.
- [Cut-off] controls are designed to ensure transactions are recorded in the correct time period.
- [Existence] controls are designed to ensure transactions are recorded for the correct entity.
- [Completeness] controls are designed to ensure transactions are recorded accurately and completely.
- [Accuracy] controls are designed to ensure transactions are recorded accurately.
- [Cut-off] controls are designed to ensure transactions are recorded in the correct time period.
- [Existence] controls are designed to ensure transactions are recorded for the correct entity.
- [Completeness] controls are designed to ensure transactions are recorded accurately and completely.
- [Accuracy] controls are designed to ensure transactions are recorded accurately.
- [Cut-off] controls are designed to ensure transactions are recorded in the correct time period.
- [Existence] controls are designed to ensure transactions are recorded for the correct entity.
- [Completeness] controls are designed to ensure transactions are recorded accurately and completely.
- [Accuracy] controls are designed to ensure transactions are recorded accurately.
- [Cut-off] controls are designed to ensure transactions are recorded in the correct time period.