July 19, 2022

DESTON HALVERSON
Director, Sponsored Project Finance
0951

Subject: Sponsored Research Award Financial Closeout Report 2022-04

The final report for Sponsored Research Award Financial Closeout Report 2022-04, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
Director
Audit & Management Advisory Services

Attachment

cc:  Judy Bruner
     Alexander Bustamante
     Pierre Ouillet
     Cheryl Ross
Sponsored Research Award Financial Closeout
Report No. 2022-04
July 2022

FINAL REPORT

Performed By:
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Approved By:
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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Sponsored Research Award Financial Closeout as part of the approved audit plan for Fiscal Year 2021-22. The objective of our review was to determine whether internal controls provide reasonable assurance that processes for closeout of sponsored research funds result in accurate and timely reporting to the agency, which is appropriately supported by documentation.

Based on our review, we concluded that internal controls need improvement to provide reasonable assurance that processes for closeout of sponsored research funds resulted in accurate and timely reporting to the agency. Based on our sample review, we noted that departments reported pending costs on final expense reports that were not always posted to the award. Departments were responsible for finalizing any expenditures needed to complete the award, clearing any overdrafts or unallowable expenses on the award, recording any pending expenditures, and verifying unexpended balances. However, our review found that departments did not always complete these tasks prior to or after submitting final expenses to Sponsored Projects Finance (SPF), increasing the risk of inaccurate financial reporting of sponsored projects, or reporting of costs that are not fully supported.

We noted that final Financial Expense Report (FER) expenditure figures did not agree to the general ledger for 11 awards in our sample, with variances ranging from $1,000 to $1.5M. In most cases, these were negative variances reflecting expenditures on the ledger above the obligated award amount, indicating a deficit condition which should be resolved by the department. However, we noted some instances where additional pending or subsequent costs reported in the FER were not posted to the ledger, which could reflect an overdraw of federal funds. SPF procedures did not include a process for following up with departments to ensure that pending costs or other variances were resolved, or escalation of instances where awards have not been fully reconciled.

We also noted that departments were not always timely in submitting final financial reports to ensure SPF had enough time to perform their review prior to sponsor submission. In general, final reports were submitted to sponsors in a timely manner, but there were some exceptions in our sample. While final award closeout in OFC has not been a priority, SPF could not perform final closeout to inactivate funds as awards were not being reconciled by departments to finalize expenses.

While our review noted areas that could be improved as described above, our sample review indicated that awards expenses sampled were allowable, and IDC rates were accurately indicated on final FER based on notices of award or other pre-award documentation.

Management Action Plans to address our findings are summarized below:

A. Pending Costs
   1. SPF will develop a risk-based review and follow-up process to ensure pending expenditures post to the ledger as reported, and in a timely manner.

B. Reconciliation of Reported Expenses to the General Ledger
   1. SPF will require departments to submit updates on awards that have not been reconciled after 120 days of the award end date. Additional risk-based review should be conducted for variances which could represent over-reimbursement of sponsored funds.
C. Final Financial Report Submission to Sponsor
   1. SPF will consider implementing an escalation process for FERs that have not been submitted within 30 days of the award end date. Considerations could include aging reports at 30, 60, and/or 90 day intervals that are made visible to leadership.

D. Oracle Financial Cloud Award Closeout
   1. SPF will increase its focus on closing awards that reconcile within SPF's $200 threshold amount, so awards do not remain open and in a state of imbalance unnecessarily after sending to sponsors.
   2. SPF will write off the $128 difference in the closed NSF award that was not balanced.

Observations and related Management Action Plans are described in greater detail in section V. of this report.
II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Sponsored Research Award Financial Closeout as part of the approved audit plan for Fiscal Year 2021-22. This report summarizes the results of our review.

Sponsored research award recipients must submit final financial and programmatic reports to the sponsoring agency to close out an award after the award has ended. According to the Office of Management & Budget (OMB) Uniform Guidance §200.344, the recipient must submit all financial, performance, and other reports required under a grant within 120 days after the end date of the period of performance. The awarding agency will review these reports to ensure compliance with all the grant terms and conditions as well as to make sure all funds are spent appropriately. Further, non-Federal entities "...must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award."

The implementation of the Oracle Financial Cloud (OFC) in July 2020 resulted in new challenges for award reconciliation and closeout processes. OFC system controls for expenditure posting prevented expenses from being charged to projects/grants outside the period of performance, on closed status, in excess of budget, or with missing data. In addition, the campus experienced data integration errors related to the UPath implementation, and additional complexities associated with migrating to a new Chart of Accounts (COA) and a new system for research administration and subaward invoicing (Kuali Research). The introduction of Subledger Accounting for sponsored research also required more reconciliation reporting for department fund managers. In addition, department personnel had to learn the new systems and processes as reconciliation reports and tools were rolled out over time to effectively conduct reconciliation and closeout activities to ensure all sponsored research expenses were captured. These conditions created a backlog of transactions requiring review and correction, consequently delaying reports to sponsors and Principal Investigators (PIs).

SPF, formerly the Office of Post Award Financial Services (OPAFS), is a division of Business & Financial Services that provides financial support to the University of California San Diego (UCSD) research mission through financial reporting, accounts receivable and cash management, effort reporting, review and approval of payroll or expense transfers, and cost-share monitoring and reporting. Along with the name change, SPF underwent changes in the leadership structure as part of a broader strategic initiative in early 2022. The new structure includes a Director and four Assistant Directors who report to the Senior Associate Director. Each Assistant Director manages a team of award accountants under Academic Affairs & Research, Marine Sciences, or Health Sciences.

As part of the financial closeout process, departments are responsible for finalizing any expenses needed to complete the award, clearing any overdrafts or unallowable expenses on the award, recording any pending expenditures, and verifying unexpended balances. Once the ledger has closed after the end of the budget or award period, SPF’s accounts receivable system, Sponsored Projects Accounts Receivable and Cash Management (SPARCM), generates a final FER based on ledger balances. Departments then review the report to ensure expenses and amounts are accurate and allowable. Additionally, they have the ability to add subsequent expenses, pending items, or encumbrances prior to submitting the FER to SPF. Subsequent costs are those that were incurred during the award but did not post to the ledger until after the award end date. Pending costs are expenses that have not yet hit a closed ledger, including transfers or invoices that have not yet been received for services rendered during the award period or
expenses that were erroneously charged and need to be removed. Adding pending expenses to the FER requires support by a reference number or description such as a cost (expense) transfer number or purchase order number. Once the department has completed any final edits and verified the indirect cost calculation, they submit the FER to SPF via an “approval” button in SPARCM.

SPF is responsible for preparing final invoices and financial reports when an award ends, in addition to any reports that are required annually or at the end of a budget period. Once the department has submitted the final FER to SPF via SPARCM, an award accountant reviews the report prior to generating the Federal Financial Report (FFR) (if applicable\(^1\)), which the Director of SPF signs, certifying “to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001).” This FFR is then transmitted to the sponsor.

The closeout process concludes when SPF inactivates the award in OFC, with the goal to do so either within 120 days of the award end date and 30 days after the final report is sent to the sponsor.

### III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to determine whether internal controls provide reasonable assurance that processes for closeout of sponsored research funds result in accurate and timely reporting to the agency, which is appropriately supported by documentation. In order to achieve our objective, we performed the following:

- **Reviewed:**
  - SPF processes and policies;
  - Federal sponsor reporting requirements; and
  - Uniform Guidance on closeout requirements;
- **Interviewed the following SPF staff:**
  - Director;
  - Senior Associate Director;
  - Assistant Directors, Health Sciences Team;
  - Assistant Director, Academic Affairs & Research Team; and
  - Assistant Director, Marine Sciences Team;
- **Judgmentally selected a sample of 25 federally sponsored awards (see Sample Selection below for more details); and**
- **Performed the following detailed testing:**
  - Reviewed department submissions to SPF for timeliness;
  - Completed high-level review for unallowable expenses and spend down at award end;
  - Compared reported expenses to posted expenses;
  - Evaluated whether the Indirect Cost (IDC) rate applied was accurate;
  - Evaluated whether reported expenses were within the sponsor’s obligated amount;
  - Reviewed subsequent costs;

\(^1\) For our sample, NIH and DOD required a Federal Financial Report; however, NSF did not require a final financial report. NSF uses the Award Cash Management Service for the final drawdown.
Sponsored Research Award Financial Closeout

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- Determined whether pending costs were supported with references and posted to the ledger;
- Reviewed sponsor submission dates; and
- Determined whether the award had been closed out in OFC within the target timeframe.

Sample Selection

The sample of 25 federal awards with award end dates in fiscal year 2020-2021 was selected based on a proportionate representation of the federal award population, among Health Sciences (HS), Academic Affairs (AA), and Scripps Institution of Oceanography (SIO) departments:

- National Institutes of Health (NIH): Fifteen (15) awards;
- National Science Foundation (NSF): Nine (9) awards; and
- Department of Defense (DOD): One (1) award.

The Vice Chancellor (VC) department breakdown was as follows:

- Thirteen (13) sponsored awards from the following HS departments:
  - CMM, Psychiatry, Medicine Infectious Diseases, Obstetrics Gynecology and Reproductive Sciences, and Pharmacology.
- Ten (10) sponsored awards from the following AA departments:
  - Biological Sciences Research, Computer Science and Engineering, Electrical and Computer Engineering, Mathematics, and Supercomputer.
- Two (2) SIO-sponsored awards from:
  - the Institute of Geophysics and Planetary Physics (IGPP) and Climate, Atmosphere, Sciences, and Physical Oceanography (CASPO).

IV. CONCLUSION

Based on our review, we concluded that internal controls need improvement to provide reasonable assurance that processes for closeout of sponsored research funds resulted in accurate and timely reporting to the agency. Based on our sample review, we noted that departments reported pending costs on final expense reports that were not always posted to the award. Departments were responsible for finalizing any expenditures needed to complete the award, clearing any overdrafts or unallowable expenses on the award, recording any pending expenditures, and verifying unexpended balances. However, our review found that departments did not always complete these tasks prior to or after submitting final expenses to SPF, increasing the risk of inaccurate financial reporting of sponsored projects, or reporting of costs that are not fully supported.

We noted that final FER expenditure figures did not agree to the general ledger for 11 awards in our sample, with variances ranging from $1,000 to $1.5M. In most cases, these were negative variances reflecting expenditures on the ledger above the obligated award amount, indicating a deficit condition which should be resolved by the department. However, we noted some instances where additional pending or subsequent costs reported in the FER were not posted to the ledger, which could reflect an overdraw of federal funds. SPF procedures did not include a process for following up with departments to ensure that pending costs or other variances were resolved, or escalation of instances where awards have not been fully reconciled.

We also noted that departments were not always timely in submitting final financial reports to ensure SPF had enough time to perform their review prior to sponsor submission. In general, final reports were...
submitted to sponsors in a timely manner, but there were some exceptions in our sample. While final award closeout in OFC has not been a priority, SPF could not perform final closeout to inactivate funds as awards were not being reconciled by departments to finalize expenses.

While our review noted areas that could be improved as described above, our sample review indicated that awards expenses sampled were allowable, and IDC rates were accurately indicated on final FER based on notices of award or other pre-award documentation.

Opportunities for improvement are discussed in greater detail in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

<table>
<thead>
<tr>
<th>A. Pending Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending expenses reported on final FER did not always post to the ledger.</td>
</tr>
</tbody>
</table>

**Risk Statement/Effect**

When sponsored projects’ pending costs reported in the FER do not post to the ledger, supported with adequate documentation, there is an increased risk of inaccurate financial reporting of sponsored projects. Additionally, it may result in failure to recapture the full amount of both direct costs and the indirect cost share due from the sponsor.

**Management Action Plan**

A.1 SPF will develop a risk-based review and follow-up process to ensure pending expenditures post to the ledger as reported, and in a timely manner.

A. Pending Costs – Detailed Discussion

Pending costs are expenses that did not post to the ledger before it closed. Once a department has identified pending expenses to charge to or remove from the award and reported them on the final FER at award closeout, they should be following up to ensure the expenses post to (or are removed from) the general ledger no later than 120 days to ensure sponsor closeout deadlines are met, and confirm the reporting is accurate. Our review noted numerous awards where pending cost transfers (expense) were reported on the final FER in SPARCM but had not been posted to the general ledger.

With the conversion to the OFC financial system, departments were initially unable to process non-payroll cost (expense) transfers without submitting a service ticket. The Oracle PPM cost transfer feature launched on December 21, 2020, and allows users to initiate transfers for transactions on their own such as from project to project, from one task to another on the same project, and from one funding source to another on the same project. However, cost transfers such as non-projects (GL) to projects (PPM) and vice versa are still not self-service and require a service ticket. In addition, direct retros, or transfers of payroll expense, are more complicated and need to be processed through UCPath, which takes longer. Our detailed testing of a sample of awards that ended in fiscal year 2020-2021 found that departments have not followed through to ensure pending expenses are posted to the ledger and have not reconciled...
reported expenses to those that are posted to the ledger so SPF can perform their final closeout duties, including reviewing the reports, generating the FFR (if applicable) and deactivating the award.

We reviewed nine AA awards that reported pending costs on the FER. In three cases, the reported pending costs were not posted to the ledger by the time of our review (well after the 120 day timeline). We also reviewed 13 HS awards and found that in six cases, awards did not post any pending costs, although one was for an amount of $.14 and could be written off by SPF. For three additional awards, pending costs were posted to the ledger, but not in amounts that were reasonably within the reported amount. Table 1 below illustrates the reported versus posted pending costs for these awards:

<table>
<thead>
<tr>
<th>Health Sciences Awards</th>
<th>Reported Pending Costs</th>
<th>Percentage of Total Award</th>
<th>Posted Pending Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMM ($32,932)</td>
<td>-2%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>HS Psychiatry ($9,641)</td>
<td>-1%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>HS Psychiatry ($189,623)</td>
<td>-5%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Medicine Infectious Diseases ($7,985)</td>
<td>&gt;1%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Pharmacology $9,084.93</td>
<td>1%</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Pharmacology ($57,137)</td>
<td>-3%</td>
<td>($45,912)</td>
<td></td>
</tr>
<tr>
<td>CMM ($119,003)</td>
<td>-28%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>CMM ($1,583,282)</td>
<td>-11%</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Academic Affairs Awards</th>
<th>Reported Pending Costs</th>
<th>Percentage of Total Award</th>
<th>Posted Pending Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supercomputer ($18,566)</td>
<td>-2%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Electrical and Computer Engineering $22,546</td>
<td>11%</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Electrical and Computer Engineering ($4,639)</td>
<td>-3%</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Source: AMAS Analysis: Figures taken from the final FER in SPARCM and OFC Project Balances with Expenditure Details report.

When sponsored projects' pending costs reported in the FER do not post to the ledger timely and are not supported with adequate documentation, there is an increased risk of inaccurate financial reporting of sponsored projects as well as an increased risk that expenditures reimbursed by the sponsoring agency are not fully supported. Our sample included awards with end dates no later than June 30, 2021; therefore, it appears the departments had sufficient time to ensure reported pending costs were posted.

SPF indicated that prior to the transition to OFC, award accountants had more time to follow up with department fund managers when closed awards did not have a zero balance. However, the current priority has been focused on the pre-award processing side. Therefore, there was no current process to follow up with departments to ensure that pending costs were ultimately posted.

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1 Figures taken from the final FER in SPARCM
2 Figures taken from OFC Project Balances with Expenditure Details report
B. Reconciliation of Reported Expenses to the General Ledger

Final FER expenditure figures did not agree to the general ledger for 11 awards in our sample, with variances ranging from $1,000 to $1.5M.

**Risk Statement/Effect**

Improper or delayed reconciliation could result in deficit conditions being unresolved, missing fully recouping maximum IDC rates, or claiming reimbursement for improper expenses if costs have not been finalized in a timely manner.

**Management Action Plan**

- SPF will require departments to submit updates on awards that have not been reconciled after 120 days of the award end date. Additional risk-based review should be conducted for variances which could represent over-reimbursement of sponsored funds.

B. Reconciliation of Reported Expenses to the General Ledger – Detailed Discussion

While SPF is responsible for preparing, submitting, and certifying final financial reports, department fund managers are required to assist by, in part:

- Clearing overdrafts off the award;
- Clearing unliquidated obligations and unallowable expenses;
- Reviewing and confirming unexpended balances;
- Confirming all appropriate expenses are posted to the award; and
- Confirming expenditures reported on the FER match the ledger within 120 days after the award end date.

SPF’s practice is to write off differences (between reported expenses and the ledger) up to $200, but anything greater must be addressed by the department. Our review noted approximately half of the award sample reported expenses did not match the ledger, with differences greater than $200. Details of the balances of the sponsored projects by VC areas were as follows:

<table>
<thead>
<tr>
<th>General Ledger Variances</th>
<th>Health Sciences</th>
<th>Academic Affairs</th>
<th>SIO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variances greater than $200</td>
<td>8</td>
<td>3</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Variances $200 and under (write-offs)</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Matched to General Ledger</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>10</strong></td>
<td><strong>2</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

Table 3 below summarizes eleven (11) awards where reported balances differed from the general ledger in amounts greater than $200 and assesses whether the difference is explained by unposted pending costs reported above. As noted in the table below, some of the differences were attributed to pending costs that had been reported but did not post to the ledger, but it could not account for the difference in
all cases. In most cases, these were negative variances reflecting expenditures on the ledger above the obligated award amount, indicating a deficit condition which should be resolved by the department. However, we noted some instances where additional pending or subsequent costs reported in the FER were not posted to the ledger, which could reflect an overdraw of federal funds.

Table 3: Reported vs. Posted Expenses

<table>
<thead>
<tr>
<th>Department</th>
<th>Expenses Reported on Final FER</th>
<th>Expenses Posted To OFC</th>
<th>Difference</th>
<th>Is the Difference Explained by Unposted Expenses?</th>
<th>Analysis Comment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS Psychiatry</td>
<td>$154,484</td>
<td>$153,444</td>
<td>$1,040</td>
<td>No</td>
<td>Additional expenses were posted to the ledger in excess of reported pending costs.</td>
</tr>
<tr>
<td>CMM</td>
<td>$1,481,811</td>
<td>$1,514,743</td>
<td>($32,932)</td>
<td>Yes</td>
<td>Pending costs of ($32,932) were reported on the FER but did not post to the ledger.</td>
</tr>
<tr>
<td>HS Psychiatry</td>
<td>$1,263,177</td>
<td>1,223,753</td>
<td>$39,424</td>
<td>Yes</td>
<td>Pending costs of ($9,641) and encumbrances of $49,065 were reported on the FER but did not post to the ledger.</td>
</tr>
<tr>
<td>HS Psychiatry</td>
<td>$3,595,639</td>
<td>$3,820,043</td>
<td>($224,404)</td>
<td>No</td>
<td>Pending costs of ($7,985) were reported on the FER; however, the difference is a slightly larger amount.</td>
</tr>
<tr>
<td>Medicine Infectious Diseases</td>
<td>$1,682,571</td>
<td>$1,691,536</td>
<td>($8,695)</td>
<td>Partially</td>
<td>Pending costs of ($57,137) were reported on the FER, with ($45,912) posted to the ledger.</td>
</tr>
<tr>
<td>Pharmacology</td>
<td>$2,097,293</td>
<td>$2,099,555</td>
<td>($2,262)</td>
<td>Partially</td>
<td>Pending costs of ($119,003) were reported on the FER to reduce the award to match the obligated amount; however, expenses were later charged to the ledger instead of being removed.</td>
</tr>
<tr>
<td>CMM</td>
<td>$420,189</td>
<td>$540,383</td>
<td>($120,195)</td>
<td>Partially</td>
<td>Pending costs of ($1,583,282) were reported on the FER to reduce the award to match the obligated amount.</td>
</tr>
<tr>
<td>CMM</td>
<td>$14,979,017</td>
<td>$16,507,512</td>
<td>($1,528,495)</td>
<td>Partially</td>
<td>Pending costs of ($18,566) were reported on the FER to reduce to award to match the obligated amount.</td>
</tr>
<tr>
<td>Supercomputer Engineering</td>
<td>$1,000,000</td>
<td>$995,715</td>
<td>$4,285</td>
<td>Partially</td>
<td>Pending costs of ($18,566) were reported on the FER to reduce to award to match the obligated amount.</td>
</tr>
<tr>
<td>Electrical and Computer Engineering</td>
<td>$198,448</td>
<td>$175,832</td>
<td>$22,616</td>
<td>Yes</td>
<td>Pending costs of $22,546 were reported on the FER but did not post to the ledger.</td>
</tr>
<tr>
<td>Electrical and Computer Engineering</td>
<td>$153,846</td>
<td>$158,512</td>
<td>$4,666</td>
<td>Yes</td>
<td>Pending costs of ($4,639) were reported on the FER but did not post to the ledger.</td>
</tr>
</tbody>
</table>

Source: AMAS Analysis based on figures taken from the final FER in SPARC M and OFC Project Balances with Expenditure Details report.

Differences between reported expenses and the ledger reduces assurance that reports are accurate, and expenses reimbursed by the sponsoring agency are fully supported. Additionally, if overdrafts are not transferred to the appropriate award, IDC could be understated on those awards. While NIH has been
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strictly closing off their payment management system at 120 days (after the award end date), SPF indicated that NSF has been lenient in allowing costs beyond their 120 day deadline.

SPF has indicated that post-award follow-up has not been highlighted by departments as a priority as much as pre-award efforts. In the event a final FER is submitted with a large balance remaining, SPF would reach out to the department to remind them to ensure all allowable expenses have been captured. Additionally, departments had access to a reconciliation report identifying discrepancies between the general ledger and OFC project portfolio management. It was the department's responsibility to ensure expenses were reconciled between the subledgers.

C. Final Financial Report Submission to Sponsor

<table>
<thead>
<tr>
<th>Risk Statement/Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to comply with the sponsor’s reporting requirements may jeopardize the Principal Investigator's future funding from the sponsor. A sponsor may also hold up new awards to UCSD because of delinquent reports.</td>
</tr>
</tbody>
</table>

Management Action Plan

C.1 SPF will consider implementing an escalation process for FERs that have not been submitted within 30 days of the award end date. Considerations could include aging reports at 30, 60, and/or 90 day intervals that are made visible to leadership.

C. Final Financial Report Submission to Sponsor – Detailed Discussion

Department Financial Expense Reports (FER) Submissions to SPF

SPF’s deadline for departments to submit final FERs is 30 days after an award’s end date. However, SPF has allowed flexibility in submitting reports after 30 days during the financial system conversion. Departments use the SPF accounts receivable system, SPARCM to submit final FERs to SPF, at which point SPF award accountants review the reported expenditures and then generate an FFR, if applicable per sponsor guidelines, that the SPF Director certifies prior to submission to the sponsor.

In anticipation of award end dates, SPARCM automatically sends final FER notifications to departments at the following intervals:

- 90 days before the award end date;
- 30 days before the award end date;
- At the award end date;
- 45 days after award end date;
- 60 days after award end date;
- Five days prior to the sponsor submission deadline; and
- One day prior to the sponsor submission deadline.

At one day prior to sponsor submission, if no expense reports have been received from the department, the notification includes the following: "OPAFS is submitting the final financial report and because we have not yet received the expense report from the department, it is assumed that the balance reflected
on the ledger at the termination date is final and therefore any unspent balance will be deobligated and returned to the agency accordingly.”

We reviewed final FER submission dates from departments to SPARCM for review by SPF award accountants during detailed testing. Our sample included awards with end dates from July 1, 2020 to June 30, 2021. Most submissions occurred more than two months after the award end date. SPF has indicated that OFC implementation and understaffed departments have contributed to delays in submission and follow-up by departments. Based on the sample we reviewed, only three of 25 (3%) of the awards were submitted timely by the departments, and 22 (88%) were not.

Table 4 below summarizes submission timelines to SPF for all three VC areas we reviewed (HS, AA, SIO):

<table>
<thead>
<tr>
<th>VC Area</th>
<th>Submitted to SPF within 30 days after award end date</th>
<th>Submitted to SPF 30-60 days after award end date</th>
<th>Submitted to SPF 60-90 days after award end date</th>
<th>Submitted to SPF 90-120 days after award end date</th>
<th>Submitted more than 120 days after the award end date</th>
<th>Total Not submitted timely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Sciences (13)</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>n/a</td>
</tr>
<tr>
<td>Academic Affairs (10)</td>
<td>2</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SIO (2)</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>Total (25)</td>
<td>3</td>
<td>3</td>
<td>13</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Percentage</td>
<td>12%</td>
<td>12%</td>
<td>52%</td>
<td>12%</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: AMAS Analysis of submission dates obtained from SPARCM

**SPF Final Financial Submission to Sponsor**

SPF is responsible for preparing final invoices and financial reports when an award ends, per the sponsor’s requirements. For example, the sponsor's requirements for NIH, NSF, and DOD samples were as follows:

- NIH requires a final expense report within 120 days of the award end date.
- NSF requires Principal Investigators to submit final project reports within 120 days but does not require a final expense report. NSF extracts final financial data from its Award Cash Management Service (ACMS); however, NSF terms instruct grantees to “liquidate all obligations incurred under their awards not later than 120 calendar days after the award end date.”
- The DOD award included in our sample required final financial reporting within 90 days following the completion of the agreement.

We reviewed final financial reporting submissions from SPF to sponsors. Twenty percent were not submitted timely, one of which from SIO is still in review by SPF and was not submitted to the sponsor. For this final report, SPF has stated that the award accountant has been working to reconcile the IDC rate for the award that closed on June 30, 2021. Additionally, as noted in Table 5, one final FER from AA has not yet been submitted to SPF, so a final financial report was not submitted to the sponsor. Table 5 below summarizes submission timelines by VC area.

---

4 Submission dates obtained from SPARCM
### Table 5: SPF Final Financial Submission\(^6\) to Sponsor

<table>
<thead>
<tr>
<th>VC Area</th>
<th>Sponsoring Agency</th>
<th>Submitted by Sponsor Deadline</th>
<th>Not Submitted by Sponsor Deadline</th>
<th>Not Submitted to Sponsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Sciences (13)</td>
<td>NIH</td>
<td>12</td>
<td>1(^7)</td>
<td>n/a</td>
</tr>
<tr>
<td>Academic Affairs (10)</td>
<td>NIH</td>
<td>7</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>NSF</td>
<td>0</td>
<td>1(^8)</td>
<td>1(^9)</td>
</tr>
<tr>
<td></td>
<td>DOD</td>
<td>0</td>
<td>1(^10)</td>
<td>n/a</td>
</tr>
<tr>
<td>SIO (2)</td>
<td>NSF</td>
<td>1</td>
<td>0</td>
<td>1(^11)</td>
</tr>
<tr>
<td><strong>Total (25)</strong></td>
<td></td>
<td><strong>20</strong></td>
<td><strong>3</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td></td>
<td><strong>80%</strong></td>
<td><strong>12%</strong></td>
<td><strong>8%</strong></td>
</tr>
</tbody>
</table>

Source: AMAS Analysis of submission dates obtained from SPARCM

Untimely submissions to sponsors jeopardize the possibility of funding and could result in the inability to recoup final expenditures. Of those awards not submitted by the sponsor deadline above, one had reported $48,545 in subsequent expenses to be charged. One award has tentatively reported $22,546 in pending items, but the final expenses have not yet been submitted to the sponsor, NSF. All other awards that did not report timely to the sponsor reported expenses to be removed from their ledgers.

According to SPF, NSF has historically not closed funding at 120 days; however, the terms of the agreements instruct grantees complete financial reporting to NSF within 120 days after the award end date.

### D. Oracle Financial Cloud Award Closeout

SPF could not always inactivate awards in OFC within their target timeframe (no later than 30 days after the FFR is sent).

**Risk Statement/Effect**

Awards that remain open and in a state of imbalance may indicate costs have not been fully identified despite final financial reports being sent to sponsors.

**Management Action Plans**

- **D.1** SPF will increase its focus on closing awards that reconcile within SPF's $200 threshold amount, so awards do not remain open and in a state of imbalance unnecessarily after sending to sponsors.

- **D.2** SPF will write off the $128 difference in the closed NSF award that was not balanced.

\(^6\) Submission dates obtained from SPARCM.

\(^7\) According to the final FER, this award was not fully spent, with a balance of $9,710 remaining and pending and subsequent costs to be removed from the ledger.

\(^8\) On the final FER, this award was reported as fully spent with reported subsequent and pending costs to be removed from the ledger.

\(^9\) On the final FER, this award has tentatively reported $22,546 in pending costs, but the department has not yet submitted it to SPF.

\(^10\) According to the final FER, there were $48,545 subsequent expenses to be charged.

\(^11\) On the final FER, this award has reported subsequent expenses of $800 and pending expenses of ($443.06)
SPF's goal is to inactivate awards as time allows, within 120 days of the award end date and 30 days after the final report is sent. However, our review of final award closeout in OFC disclosed most awards in the sample had not been inactivated in OFC despite the fact that the awards ended no later than June 30, 2021.

SPF can initiate final closeout steps and inactivate the award in OFC once:
- All payments have been received;
- All indexes are inactive;
- Liens in accounts payable and cash advances in the general ledger’s accounts are removed;
- Fund balance equals zero; and
- Reported cumulative expenditures equal cumulative expenses on the ledger.

<table>
<thead>
<tr>
<th>VC Area And # of Awards Reviewed</th>
<th>Closed out in OFC</th>
<th>If closed out in OFC, was it within 30 days of sponsor submission?</th>
<th>Not closed in OFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Sciences (13)</td>
<td>2</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Academic Affairs (10)</td>
<td>4</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>SIO (2)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total (25)</strong></td>
<td><strong>7</strong></td>
<td><strong>2</strong></td>
<td><strong>18</strong></td>
</tr>
<tr>
<td>Percentage</td>
<td>28%</td>
<td>8%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Source: AMAS Analysis: OFC Project Closeout Status

Not all the 18 active awards noted above could be closed due to departments' delays in ensuring reported expenditures matched the general ledger; however, of the 18 awards that were still active in OFC:
- For HS, three of eleven awards were reconciled within SPF’s $200 threshold amount,
- For AA, three of six awards were reconciled within SPF's $200 threshold amount, and
- For SIO, the one award that has not been closed in OFC is fully reconciled.

The one SIO award closed in OFC had a difference of $128, which should have been reconciled to zero prior to deactivating the award. Awards that remain open and in a state of imbalance may indicate costs have not been fully identified despite final financial reports being sent to sponsors, which could present concerns regarding the accuracy of reports provided to the funding agencies. In addition, the projects which remain open in OFC longer than necessary present an increased risk of additional expenditures incorrectly posting to the project.

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12 As of March 9, 2022