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><strong>Grand Total</strong></td>
<td><strong>285</strong></td>
<td><strong>404</strong></td>
<td><strong>689</strong></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.
APPENDIX 1: AWARD CLOSEOUT PROCESS

Research Administration System (RAS)

- Automatically notifies the RSA and PI of programmatic reporting requirements (often 60 or 90 days in advance of report due date, based on milestones established during award set-up)
- Notifies RSA and PI 45 days prior to the project end date to initiate the closeout process

Contacts and Grants Accounting (CGA)

- Requests NCE from the sponsor, and documents correspondence in CACTAS. Once the award status is updated in CACTAS, the award is routed from OSR to CGA.

Office of Sponsored Research (OSR)

- Sends email reminder for FRC or FSR
- CGA performs closeout review (e.g., reviews for federal unallowables, accuracy of indirects, credits, reconciliation to the GL, and processes surpluses)
- CGA re-opens award to allow the Dept. to post final transactions to the GL.

Does a NCE need to be requested?

- Yes
  - Contacts OSR to request NCE from the sponsor
  - PI drafts final scientific report(s)
  - CGA approves FRC in RAS or signs and returns the FSR to Dept.
  - CGA re-opens award to allow final transactions to post.
  - Removes all overdraft and unallowable costs from the award, to a department discretionary fund if the Dept. is not responsive

- No
  - End
  - RSA creates and submits the FRC (or FSR for non-federal awards) 15 days prior to deliverable due date (RSAs submission is considered evidence of review and approval by the PI)

End

CGA collaborates with the Dept. to refile

- Yes
  - Closes the award in RAS by 120 days after the project end date

- No
  - End

The Processing End Date and milestones (e.g., final scientific report date) are established during the Award Set Up phase, and may vary based on sponsor requirements

Research Administration System (RAS)

-RSA creates and submits the FRC (or FSR for non-federal awards) 15 days prior to deliverable due date (RSAs submission is considered evidence of review and approval by the PI)

Department/PI RAS

- RSA reviews the GL for overdrafts, unallowable costs, and completeness; moves unallowable costs to other department fund account before Processing End Date, if identified

AC5

- Activates the Processing End Date at 65 days after the project end date to prevent additional expenditures from processing

End

End

Department/PI RAS

- RSA creates and submits the FRC (or FSR for non-federal awards) 15 days prior to deliverable due date (RSAs submission is considered evidence of review and approval by the PI)

AC7

- Reviews the FRC (on RAS) or FSR (via email). Approves or rejects?
- Approves
  - CGA approves FRC in RAS or signs and returns the FSR to Dept.
  - CGA re-opens award to allow final transactions to post.
- Rejects
  - RSA reviews the GL for overdrafts, unallowable costs, and completeness; moves unallowable costs to other department fund account before Processing End Date, if identified
  - CGA performs closeout review (e.g., reviews for federal unallowables, accuracy of indirects, credits, reconciliation to the GL, and processes surpluses)

AC8

- Drafts the FFR based on the FRC

End

AC6

- RSA creates and submits the FRC (or FSR for non-federal awards) 15 days prior to deliverable due date (RSAs submission is considered evidence of review and approval by the PI)

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- Yes
  - Contacts OSR to request NCE from the sponsor
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AC3

- Requests NCE from the sponsor, and documents correspondence in CACTAS. Once the award status is updated in CACTAS, the award is routed from OSR to CGA.

Notes:

- Processing End Date will override 65 days when CGA re-opens award to allow final transactions to post.
- AC3
- Requests NCE from the sponsor, and documents correspondence in CACTAS. Once the award status is updated in CACTAS, the award is routed from OSR to CGA.

AC5

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AC8

- Drafts the FFR based on the FRC

End

AC6

- RSA creates and submits the FRC (or FSR for non-federal awards) 15 days prior to deliverable due date (RSAs submission is considered evidence of review and approval by the PI)
**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 refiles with the sponsor; internal requests over $5,000 will be managed on a case-by-case basis after discussions with the sponsor.
### Appendix 2: Award Close Out - Risks and Controls Matrix

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Control</th>
<th>Control Description</th>
<th>Current Level of Assurance</th>
<th>Acceptance of Risk</th>
<th>Federal Reference to Compliance Standards (Subsection)</th>
<th>Control</th>
<th>Risk</th>
<th>Preventive</th>
<th>Secondary</th>
<th>any other comments or key points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Reporting</td>
<td>Manual</td>
<td>The non-Federal entity must submit, no later than 90 calendar days after the end date, final financial reports.</td>
<td>Biweekly</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Technical Reporting</td>
<td>Manual</td>
<td>If a request to refile the FFR or FSR is received, 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 internal requests, the sponsor may withhold payments due to a lack of the required reports.</td>
<td>Manual</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Manual</td>
<td>The Federal awarding agency or pass-through entity should complete all closeout of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343.</td>
<td>Once per budget</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Manual</td>
<td>At award set-up, CGA establishes the award's Processing End Date in RAS to prevent the posting of inaccurate financial reports.</td>
<td>Once per award</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Manual</td>
<td>If PIs do not submit the report on time, OSR may not be aware of the issue until contacted by the sponsor or the sponsors may withhold payments due to a lack of the required reports.</td>
<td>Once per budget</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Manual</td>
<td>OSR coordinates with the department and PI to address sponsor requests for late technical reports.</td>
<td>Once per budget</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
<tr>
<td>Financial Reporting</td>
<td>Manual</td>
<td>As RSA coordination with the PI varies by individual, the PI may encounter delays in submitting the final financial report.</td>
<td>As needed</td>
<td>Manual Preventative</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>manual submission is required for all final financial reports.</td>
</tr>
</tbody>
</table>