



University of California
San Francisco

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 Title 2 § 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.

Background Cont'd

As of March 2020, the total number of expired awards for FY2018 – FY2020 YTD are shown by control point below:

Control Point	Federal & Federal Flow-Through	Non-Federal	Total
Executive Vice Chancellor	1	4	5
Global Health Sciences	3	5	8
VC Diversity & Outreach	1	0	1
School of Dentistry	10	10	20
School of Medicine	233	361	594
School of Nursing	13	5	18
School of Pharmacy	24	19	43
Grand Total	285	404	689

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

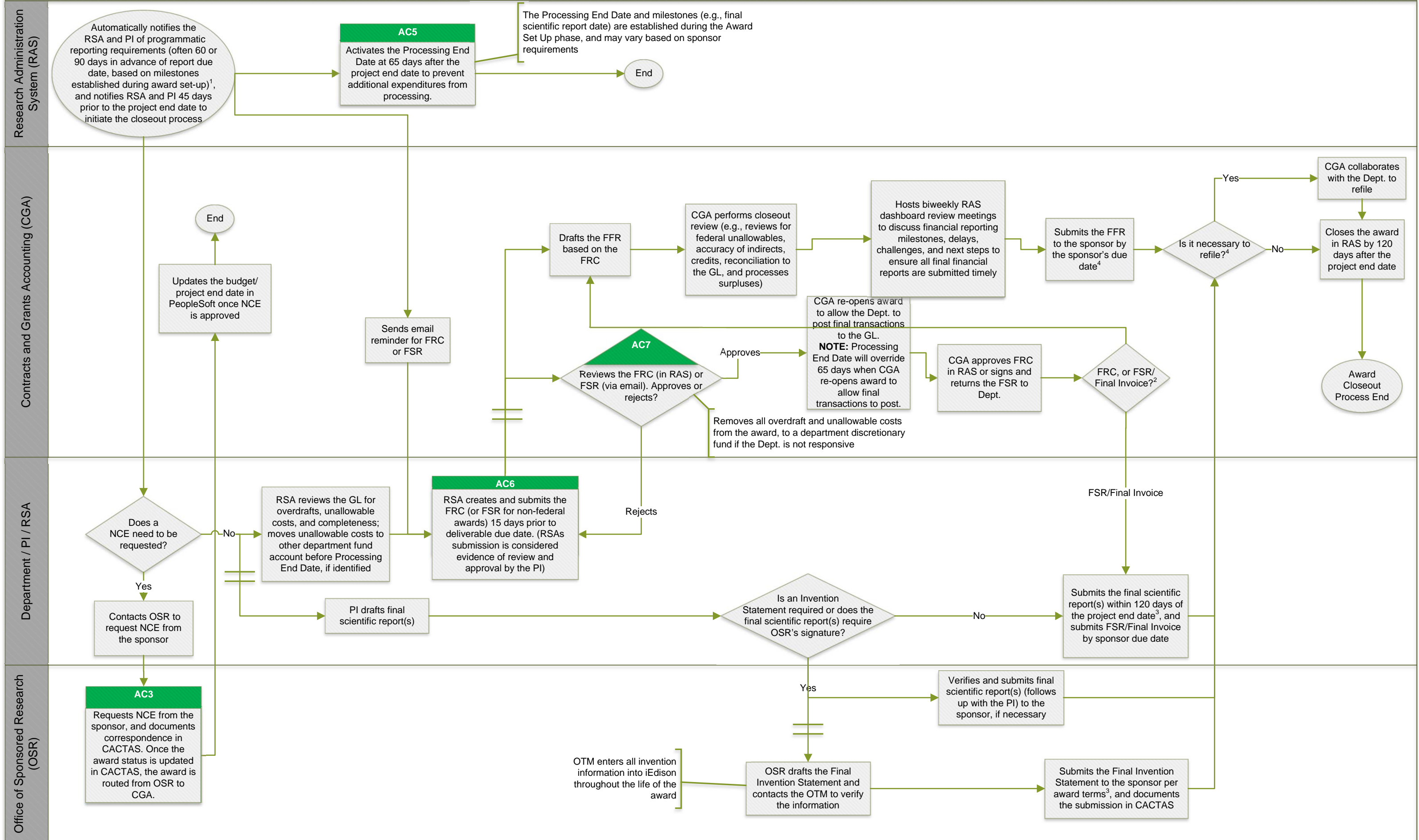
- At award setup, the annual and final progress report due date milestones are scheduled in RAS. The scheduled milestones will generate an automated notification to the Principal Investigator (PI) from RAS 60 or 90 days (dependent on sponsor requirements) in advance of progress report submission due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

Key Area	Control Reference	Control Description	Control Level (Transaction vs Entity)	Owner	Risk Category (Compliance/ Financial/ Operational)	Assertions (if Financial risk)	Federal Reference or Compliance Supplement (if Compliance Risk)	Control Frequency	Risk	Anti-Fraud?	Process Type	Control Type (Preventative / Detective?)	Key / Secondary	Residual Risk
Award Closeout- Technical Reporting	AC1	Principal Investigator (PI) receives automated notification from RAS 60 or 90 days (dependent on sponsor requirements) in advance of technical report submission deadline.	Transaction	RAS	Compliance	N/A	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per technical report	Required technical reports are not submitted by the PI or are not submitted timely. This could result in the sponsor withholding payment (either on the award or across the sponsor portfolio) or not awarding future funding.	No	Automated	Preventative	Secondary	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 withholds payments or funding due to a lack of required reports.
Award Closeout- Technical Reporting	AC2	OSR coordinates with the department and PI to address sponsor requests for late technical reports.	Transaction	OSR	Compliance	N/A	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	As needed	Required technical reports are not submitted by the PI or are not submitted timely. This could result in the sponsor withholding payment (either on the award or across the sponsor portfolio) or not awarding future funding.	No	Manual	Detective	Secondary	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 withholds payments or funding due to a lack of required reports.
Award Closeout- Sponsor Approval	AC3	Requests for changes in RAS that require sponsor approval (e.g., no cost extensions, relinquishing statements) are reviewed and submitted by OSR; OSR alerts CGA to initiate updates in RAS (e.g., for a no cost extension, once the award status is updated in CACTAS, the award is routed from OSR to CGA). If these requests are not submitted by OSR to CGA, it will not result in updates in RAS (e.g., for a no cost extension, the award end date will not be updated).	Transaction	OSR	Compliance	N/A	Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with §200.308	As needed	Required sponsor approvals are not received and RAS is not accurate.	No	Manual	Preventative	Key	N/A
Award Closeout- Financial Reporting	AC4	PI/ department receives automated notification from RAS 45 days in advance of award end date.	Transaction	RAS	Financial, Compliance	Cut-off	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Required financial reports are not submitted by the PI or are not submitted timely. This could result in the sponsor withholding payment (either on the award or across the sponsor portfolio) or not awarding future funding.	No	Automated	Preventative	Secondary	If the department or PI does not file the report on time, the sponsor may withhold payments due to a lack of the required reports.
Award Closeout- Financial Reporting	AC5	At award set-up, CGA establishes the award's Processing End Date in RAS to prevent the posting of expenditures 65 days after the project end date for federal awards. (For non-federal awards, the processing end date is not entered at award set-up.) Beyond this date no expenditures can post to the project account without CGA opening the ledger to allow transactions to post.	Transaction	RAS	Financial, Compliance	Accuracy, Cut-off	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Untimely or inaccurate transactions may be charged to the award, which may result in inaccurate and/or untimely submission of final financial reports.	Yes	Automated	Preventative	Key	N/A
Award Closeout- Financial Reporting	AC6	Department completes and submits the Financial Reporting Certification (FRC) or Financial Status Report (FSR) evidencing department post award review and reconciliation and coordination with the PI. The Research Services Analyst (RSA) must complete and submit the FRC or FSR to the CGA Accountant via the submit button in RAS 15 days prior to the deliverable due date for federal awards and 10 days prior to the deliverable due date for non-federal awards.	Transaction	Department/ PI	Financial, Compliance	Existence, Cut-off, Accuracy, Completeness	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Final financial reports are not submitted accurately or completely.	No	Manual	Detective	Key	As RSA coordination with the PI varies by individual, the PI may not have full transparency into the closeout status of the award or the status of the FRC.
Award Closeout- Financial Reporting	AC7	CGA performs financial closeout review, including reviewing for federal unallowable costs, credits, and the accuracy of indirect costs; verifying that the FRC or FSR reconciles to the GL; and ensuring that the balance sheet is clear. CGA approves the FRC in RAS, which records the approval as evidence of completion of the award closeout review.	Transaction	CGA	Financial, Compliance	Existence, Completeness Accuracy	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Final financial reports are not submitted accurately or completely.	No	Manual	Detective	Key	N/A
Award Closeout- Financial Reporting	AC8	CGA completes and submits final financial report for all federal awards.	Transaction	CGA	Financial, Compliance	Accuracy, Cut-off	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Final financial reports are not submitted timely.	No	Manual	Preventative	Secondary	N/A
Award Closeout- Financial Reporting	AC9	Department RSA submits the final financial report (i.e., FSR or Final Invoice) to private funding sponsors per award terms (e.g., via email). Note: If the sponsor requires submission through an online sponsor portal by institutional financial authority, CGA will submit the FSR or Final Invoice for the RSA (see control AC8).	Transaction	Department/ PI	Financial, Compliance	Cut-off, Accuracy	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Once per budget period	Final financial reports are not submitted timely.	No	Manual	Preventative	Secondary	N/A
Award Closeout- Financial Reporting	AC10	On a biweekly basis, CGA hosts RAS dashboard review meetings to discuss financial reporting milestones, delays, challenges, and next steps to ensure all final financial reports are submitted timely.	Transaction	CGA	Compliance	N/A	The non-Federal entity must submit, 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. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity, in accordance with §200.343	Biweekly	Final financial reports are not submitted timely. Awards will not be closed out and reported timely.	No	Manual	Detective	Key	N/A
Award Closeout- Final Closeout	AC11	CGA closes the award in RAS, and updates the RAS dashboard accordingly.	Transaction	CGA	Compliance	N/A	The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports, in accordance with §200.343	Once per award	Awards will not be closed out and reported timely.	No	Manual	Preventative	Secondary	N/A
Award Closeout- Final Closeout	AC12	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 external refile requests, CGA collaborates with the department and PI to discuss and refile according to the sponsor's requests. CGA also collaborates with the department and 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 refiling with the sponsor; internal requests over \$5,000 will be managed on a case-by-case basis after discussions with the sponsor.	Transaction	CGA	Compliance	N/A	The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports, in accordance with §200.343 Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award, in accordance with §200.343	Once per award	Awards will not be closed out accurately.	No	Manual	Preventative	Secondary	If a refile is not completed an unallowable cost may be reported on the FFR/FSR
Award Closeout	CG4	Accounting Analysis reconciles Letter of Credit (LOC) drawdowns received to federal revenue and expenses. (Results in Federal Cash Transaction Report)	Entity	CGA	Financial	Completeness, Accuracy, Validity	Compliance Supplement Section L. Reporting	Quarterly	Amounts of federal cash received may be reported incorrectly.	No	Manual	Detective	Key	N/A
Award Closeout	CG5	Balance sheet accounts are reconciled to identify any errors or areas of concern.	Entity	CGA	Financial	Completeness, Accuracy, Validity	Compliance Supplement Section L. Reporting	Monthly	Account balances may be over- or under-stated, resulting in inaccurate financial reports.	No	Manual	Detective	Key	N/A
Award Closeout	CG6	Accounting Analysis conducts review of accrual report (quarterly), identifying potential issues with revenue recognition or billing.	Entity	CGA	Financial	Completeness, Accuracy, Validity	Compliance Supplement Section C. Cash Management and L. Reporting	Monthly	Outstanding revenue and/or receivable balances may be overstated, resulting in inaccurate financial reports.	Yes	Manual	Detective	Key	N/A

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