

# Managing Award Closeouts

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# Managing Award Closeouts

## *Objective*

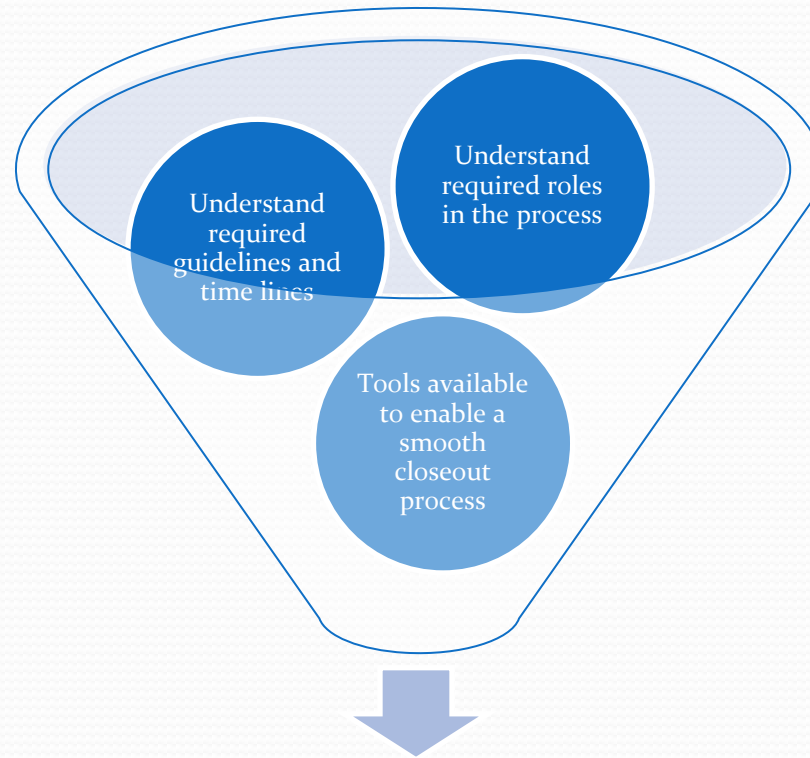
Provide general guidelines to facilitate the closeout process

## *Agenda*

The presentation will cover:

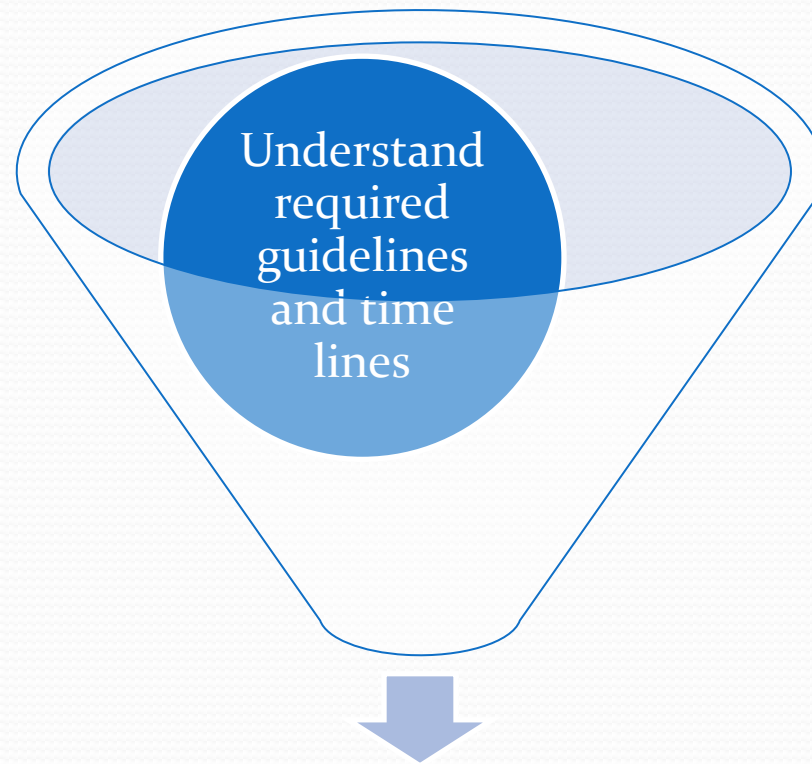
- Compliance and administration
- Roles and responsibilities
- Tools to enable closeout process
- What you can do to help
- Summary

# Partnership – OSR & Research Units



**Compliant Close-Out**

# Partnership – OSR & Research Units



Compliant Close-Out

# Why are Closeouts Necessary?

- Ensure **compliance** with federal regulations
  - OMB Circular A-110 D.71(a)

Recipients shall submit, **within 90 days** after the date of the completion of the award, all financial, performance and other reports required by the terms & conditions of the award...
  - OMB Circular A-110 D.71.(b)

Unless the federal agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award no later than 90 calendar days after the funding period...”

# Why are Closeouts Necessary?

- Ensure **compliance** with federal regulations

- OMB Circular A-110 D.71(d)

The recipient shall promptly refund any balances of unobligated cash that the Federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects

# Why are Closeouts Necessary?

- Reduce **audit** risk
  - Ensure financial report submitted matches general ledger
  - Prevent appearance of mismanagement of funds:
    - Failing to account for expenditure of federal funds
    - Failing to know, follow, or care about applicable rules
    - Expending funds after award expiration date
    - Prevent additional unallowable charges from posting after budget period

# Why are Closeouts Necessary?

- False Claims Act (FCA), 31 U.S.C. §§ 3729 – 3733
  - Claiming reimbursement for grant funds not spent on funded project
  - To violate the FCA a person must have submitted, or caused the submission of, the false claim with knowledge of falsity
  - § 3729(b)(1), knowledge of false information is defined as having
    - (1) actual knowledge,
    - (2) deliberate ignorance of the truth or falsity of the information, or
    - (3) reckless disregard of the truth or falsity of the information.



# Why are Closeouts Necessary?

- Civil penalty between \$5,000 and \$10,000, plus 3 times the amount of damages which the Government sustains because of the act of that person
- Examples:
  - Claiming reimbursement for grant funds not spent on funded project
  - Drawing down federal funds for unallowable expenses
  - Subsequent adjustments to closed awards
  - Providing inaccurate information or false certifications to the University or Federal Agency

# Why are Closeouts Necessary?

- Reporting to **UNC-GA (UNCFIT)**
  - Timeliness of closeouts is a “Key Performance Indicator”
    - Monthly reporting requirement of outstanding closeouts
    - Reviewed by UNC System President
    - Progress communicated to UNC Chancellor and VC for Finance quarterly
  - Factored into the performance funding model
- Preparation for **Peoplesoft** Implementation
  - Reduce the number of accounts that will be converted

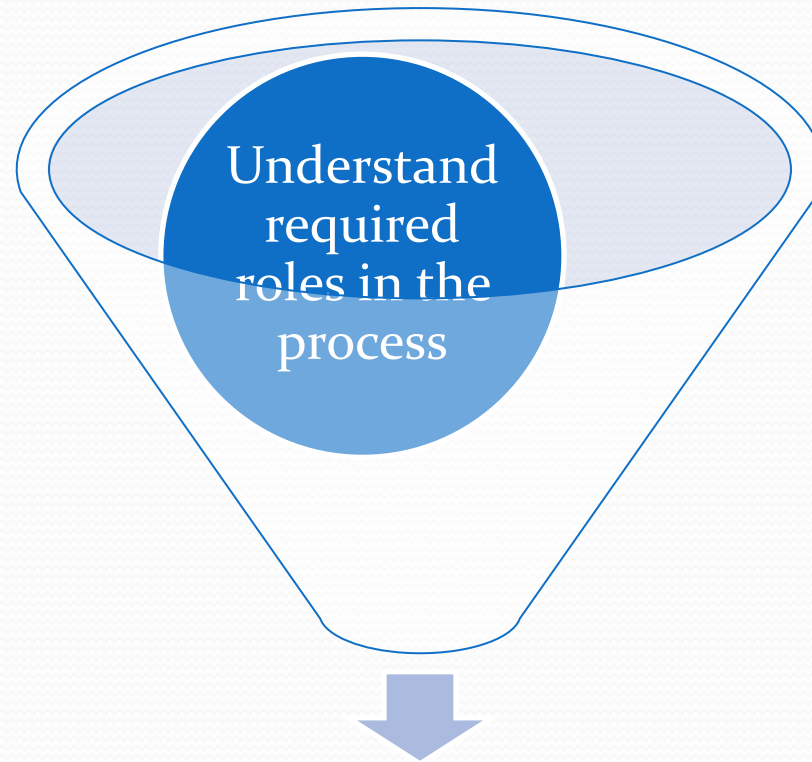
# Why are Closeouts Necessary?

- Department of Health and Human Services (HHS) has issued a directive to Agencies intended to enhance financial data integrity and financial closeout for all awards
  - **Universities will not be able to request funds after 90 days from the end date of the award**
  - Affects agencies such as NIH, HRSA, CDC, AHRQ

# NIH policy changes due to the HHS directive are detailed at ...

- **NIH Domestic Awards to Transition to Payment Management System Subaccounts in FY 2014**
  - NOT-OD-13-112
  - <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-112.html>
- **Revised implementation timeline**
  - NOT-OD-13-120
  - <http://grants1.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html>
- **NIH Updating Grant Closeout Policies and Procedures to Align with New HHS Requirements**
  - NOT-OD-14-084
  - <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-084.html>
- **Grants Closeout FAQs**
  - [http://grants.nih.gov/grants/closeout/faq\\_grants\\_closeout.htm](http://grants.nih.gov/grants/closeout/faq_grants_closeout.htm)

# Partnership – OSR & Research Units

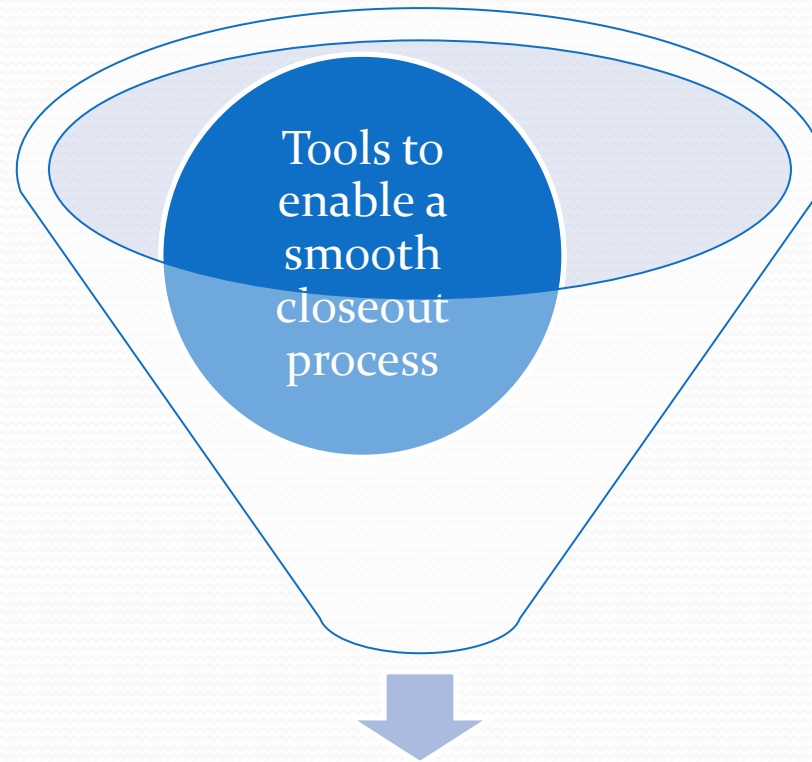


Compliant Close-Out

# Roles & Responsibilities

Role	Expenditures	Project Changes	Financial Invoicing	Reporting & Technical Reporting
<b>Principal Investigator</b>	<ul style="list-style-type: none"> <li>Clearly state destination of expenses to department personnel (especially in case of multiple awards)</li> <li>Ensure expenses are allowable per sponsor and institution regulations/guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Communicate changes in project scope or timelines               <ul style="list-style-type: none"> <li>- No cost extension request</li> <li>- Continuations</li> <li>- Rebudgeting</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Provide final review/approval of costs being invoiced and reported</li> </ul>	<ul style="list-style-type: none"> <li>Complete all project objectives stated in award document               <ul style="list-style-type: none"> <li>- Progress reports</li> <li>- Final Deliverable</li> </ul> </li> </ul>
<b>Department – PI's Supporting Unit</b>	<ul style="list-style-type: none"> <li>Ensure expenses are allowable per sponsor and institution regulations/guidelines</li> <li>Ensure expenses are charged/posted to appropriate project</li> </ul>	<ul style="list-style-type: none"> <li>Assist PI in making project changes</li> <li>Communicate progress towards project objectives within stated timeline</li> </ul>	<ul style="list-style-type: none"> <li>Assist PI in review of invoices/financial reports and notify of any incorrect charges</li> </ul>	<ul style="list-style-type: none"> <li>Assist PI in completion and submission of technical reports</li> <li>Ensure PI compliance with technical reporting requirements</li> </ul>
<b>Sponsored Research Office</b>	<ul style="list-style-type: none"> <li>Timely approval/review of expenses requiring authorization</li> <li>Ensure expenses are allowable per sponsor and institution regulations/guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Assist PI in making changes to project scope timelines               <ul style="list-style-type: none"> <li>- Submit NCE/ continuation requests</li> <li>- Make appropriate changes to dates/ budgets in financial system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Prepare and submit accurate invoices/financial reports based upon schedule in award document</li> </ul>	<ul style="list-style-type: none"> <li>Expedite submission of Final Invention Statement.</li> <li>Follow up with PI and Dept. Administrator on Sponsor requests for missing, final invention statements, financial or technical reports</li> </ul>

# Partnership – OSR & Research Units



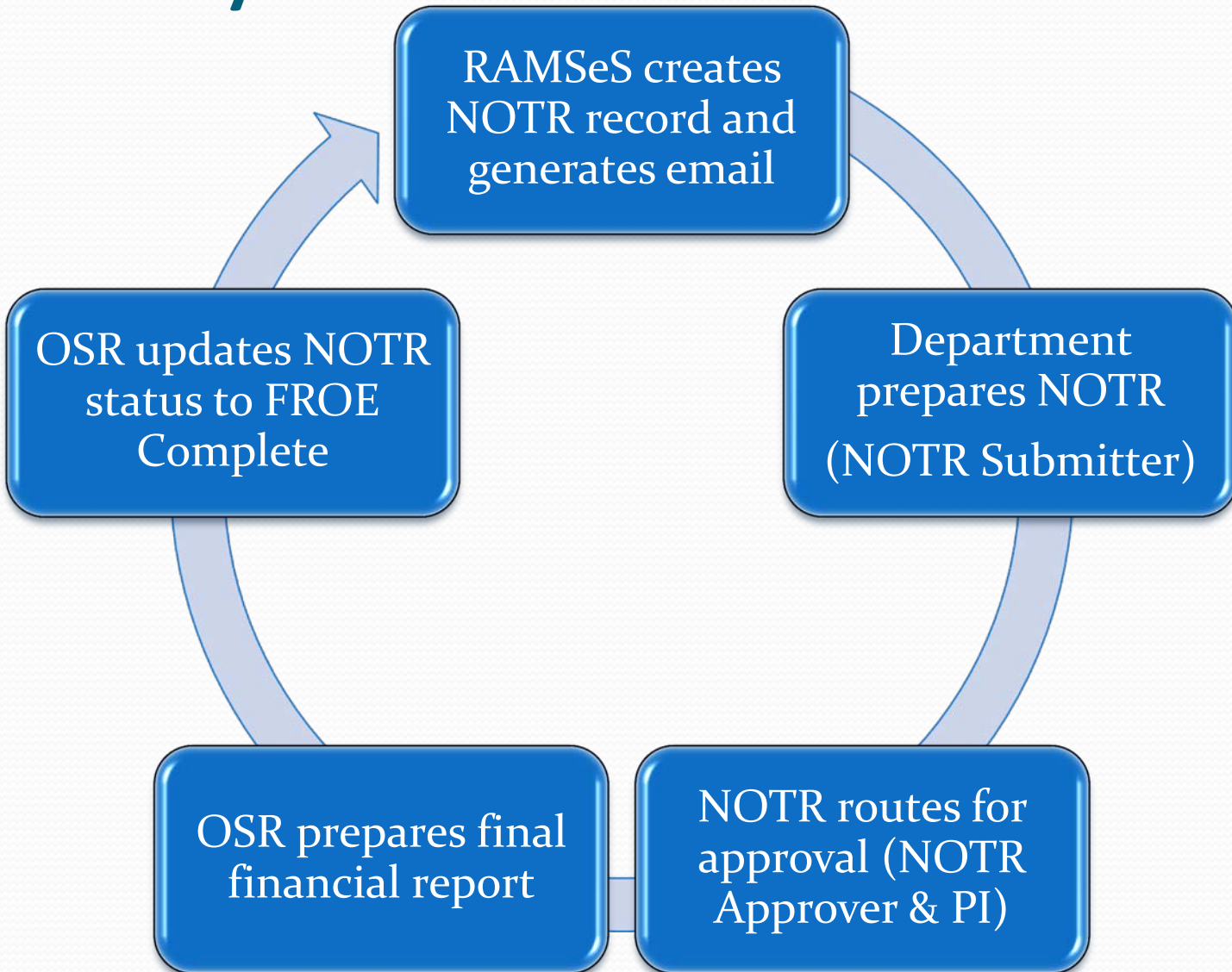
**Compliant Close-Out**

# Current Tools to Facilitate Closeout Process

- Notice of Termination Reply (NOTR)
  - Excel template used by departments to document pending direct expenditures that have been yet to fully post in the financial system
  - Official certification of expenses by department and PI
  - Request initiated 7 days prior to budget end date (with a few exceptions)
  - Key element used by OSR to complete the final financial report
  - Subject to review by auditors during site visits



# NOTR Cycle



# Things to Consider

- Per *Deans, Directors, Department Heads memo dated 11/15/11*
  - Only *irrevocable commitments* will be accepted
    - Items purchased and evidence that the transaction has been initiated in the financial system or has been encumbered
  - *Documentation* now being requested to support NOTR entries
    - Evidence of journal entries, check requests, travel etc
    - Evidence of pending personnel actions

# Things to consider

- Review payroll distributions; process salary source change to move personnel
- Review transactions for potential unallowable costs
- Remove/stop recurring charges
- Remove after end date charges
- Remove expenditures in excess of direct budget
- Verify receipt and approval of subcontractor final invoice
- Reconcile outstanding cash advances
- Liquidate encumbrances
- Ensure cost share is recorded and obligation has been met

# Things to Consider

- If NOTR is not returned to OSR by deadline
  - OSR prepares the final report based on current Budget & Expenditure Report (FBM090/091) less disallowed expenditures
  - OSR sends copy of final report to department
  - Department must move disallowed charges to another non sponsored account
- Payment of any outstanding charges not detailed in NOTR will be responsibility of the PI and department incurring the costs
  - Supplies received too late to be of use during the award period must be paid from another source

# Cost Transfers

- *OMB Circular A-21*: Any costs allocable to a particular sponsored agreement under the standards provided ***may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations***, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.
- *NIH Grants Policy Statement (03/01), part II, subpart A*: The transfers must be **supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge** by a responsible organizational official of the grantee, consortium participant, or contractor. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable.

# Are Cost Transfers Necessary?

- Federal auditors recognize this necessity

***HOWEVER...***

- Cost transfers cannot be used as a money management tool
- Must meet the A-21 test of being reasonable, allocable and allowable
- Frequent, late, and poorly explained cost transfers raise questions about the appropriateness of expenditures and the effectiveness of the institutions internal controls

# Be Prepared To Justify...

- Why was the expense originally charged to the project?
- Why should the expense be transferred to the receiving project (if applicable)?
- Are the costs allowable on the project?
- Why is the cost transfer being requested more than 90 days after the original transaction date?
- Who has reviewed and approved the request?
- What steps will be taken to prevent this type of error from happening in the future?

# Examples of Inadequate Justification

- To transfer items that were incorrectly charged
- Per PI instructions, move charges to clear an overdraft
- Transfer animal charges from Dr. X's special use account to Dr. Y's account for December to March
- Transfer credit from Dr. X's (Non-Federal) to Dr. Y's (Federal) to close account



# Examples of Adequate Justification

- Purchased bulk quantity of acetone from stock room, which cannot split charges to multiple awards. This entry splits the charges based on PI's anticipated use. Allocation method on file in department. Acetone used for XYZ experiments
- Supplies were originally purchased for award 5-33506, but were actually used on award 5-34053. Lab manager informed business manager of change in plans in the month of occurrence. Supplies used for 5-34053 to ...
- To correct animal recharge billing which was charged to the wrong award. Error discovered by PI during monthly review of expenditures. Expenses to care for mice used to conduct research for XYZ project per scope of work

# DHHS OIG Disallowance

- *Total disallowance: \$352,853*
- *Costs that not adequately documented: \$298,275*
- “The University claimed the costs of research-related equipment, supplies, and services...that it had transferred from University fund accounts (or other accounts) to HHS award accounts without documenting the basis for the amounts transferred, the reason the transfers were necessary, or why transfers occurred several months after the University initially recorded the charges”

# Coming Soon...

- OSR will be re-evaluating the closeout process
  - 90 day, 30 day and budget end advance notifications
  - Closeout checklist
  - Phasing out the NOTR process

**DRAFT**  
**90 Day Advance Closeout Notification**

To: [Insert Account Manager(s) and NOTR Submitters]

CC: [Insert PI]

Date: [Insert Date]

Subject: UNC Account Number: x-xxxxx  
Account Budget Begin Date:  
Account Budget End Date:  
Project Title:  
Sponsor:  
Sponsor Award Number:

FINAL TECHNICAL REPORT DUE TO AGENCY: xx/xx/xxxx  
FINAL FINANCIAL REPORT DUE TO AGENCY: xx/xx/xxxx

According to our records, the account listed above is scheduled to end in approximately 90 days. Sponsors are subjecting the University to increased pressure for the timely submission of final reports, both technical and financial. Future awards and final payments can be contingent upon timely submission of these reports.

If you are in need of an extension of time for this award or are anticipating additional funding please contact your OSR Program Administrator immediately **[insert program administrator name and email]**.

If an extension is not needed, proceed with reviewing the account using the closeout checklist (**hyperlink**) to ensure timely reconciliation and final posting of award expenditures. It is important to review the checklist, however it is for your records and does not need to be returned to OSR.

Please note that the following employees are currently being paid on the account. A personnel action form will need to be initiated prior to the budget end date to move the employees identified to another source of funding.

Personnel: **[list those paid on the account in the most recent payroll period]**

Final technical reports should be submitted by the principal investigator directly to the sponsor according to the instructions provided in the terms and conditions of the award notice.

This notification has been automatically generated as a result of a routine review of account records, if you believe you have received this notification in error, please contact **[insert reporting team lead name and email and if not available Jenifer Gwaltney, j\_gwaltney@unc.edu]**.



## Sponsored Research Account Closeout Check List

UNC Account No.:		Award No.:		Dept Reviewer:	
PI Name:		End Date:		Date Reviewed:	

Is there an extension or renewal pending? Yes \_\_\_\_\_ No \_\_\_\_\_

TASK		COMPLETED (Y/N)
<b>Review award terms &amp; conditions</b>		
<b>Outstanding Transactions</b>	Check with the PI to obtain information on any pending transactions or unresolved items that are not reflected in FRS. Initiate transactions in the financial system prior to the budget end date.	
<b>Unallowable Expenditures</b>	Review transactions for all potential unallowable costs based on OMB Circular A-21 and the applicable sponsor regulations (including but not limited to food, foreign travel, telephone equipment, line charges, general office supplies, and office furniture etc). Remove all unallowable charges to a non-sponsored research account.	
<b>Over Expenditures</b>	Remove all over expenditures. a. Transfer eligible expenditures to continuing account (if applicable) b. Transfer expenditures to non-sponsored research account	
<b>Payroll Distributions</b>	Review payroll distributions to verify they are in line with award budget. Process a salary source change to prevent additional charges from being recorded on the account after budget period end date.	
<b>Clear Encumbrances</b>	Review encumbrances related to direct expenditures and take action as appropriate to ensure they will be cleared.	
<b>Cash Advance</b>	if applicable, review outstanding cash advances and submit original receipts with reconciliation or return funds.	
<b>Subcontracts</b>	If applicable, contact subcontractor to ensure timely submission of final invoice.	
<b>Cost Share/Match</b>	If applicable, verify that cost share requirements have been met and are recorded in the financial system (FRS)	
<b>Equipment Inventory</b>	If required by sponsor, verify location of all equipment purchased.	
<b>Technical Report</b>	If required by sponsor, review the reporting obligations in the award terms and conditions and obtain confirmation that all required technical or program reports will be submitted to the sponsor by the due date.	
<b>Potential Inventions or Other Intellectual Properties</b>	If applicable, consult with the PI and contact the Office of Technology Development to report all intellectual property and inventions related to the account.	

# What can you do to help?

- Review expenses periodically (at least monthly) to ensure
  - Budget on the account has not been exceeded
  - Funds are used appropriately (allocable, allowable, reasonable)
  - Anticipated personnel is being charged to the account
  - Cash advances have been reconciled
- Ensure transactions listed on NOTR are processed
- Proactively review accounts that have ended and have balances remaining
  - Reconcile to the NOTR until BBA is zero
- Apply for award deadline extension well in advance of 90-day budget period deadline

# Resolving Negative Balances

Option 1		Option 2	Option 3
<b>Move specific transactions</b>		<b>Use residual fund account (3-12XXX)</b>	<b>Use overhead receipt account</b>
Process personnel action or online journal entry to move transactions to another non sponsored research account	Prepare an AJ and route to Accounting Services (Use if unable to process entry online. If moving charges between two C&G accounts send AJ to OSR)	Email residual fund account to OSR. A single transaction will be processed by OSR using object code 8499+ (OSR Contact: Mary Harris or Jenifer Gwaltney)	Email overhead receipt account to OSR. A single transaction will be processed by OSR using object code 8499+ (OSR Contact: Mary Harris or Jenifer Gwaltney)

- All must be accompanied by a list of transactions
  - When applicable, charges can be transferred to a continuing account if they meet certain criteria
- +All unallowable costs must be moved by transaction.*

# Resolving Positive Balances

Option 1	Option 2
<b>*Revise &amp; Return</b>	<b>Residual Fund</b>
If all charges are recorded appropriately and the award is cost reimbursable notify OSR and indicate final report needs to be revised and balance returned to the sponsor	If award is fixed price and the sponsor does not require return of excess funds, process an online residual fund journal entry to move direct expenditure balance

*\* Pattern of revising reports could indicate inability to manage funds*



# Fact or Fiction?

- A thorough closeout is only required if the award has a financial report or final invoice due

## **FICTION**

- All awards should have a thorough closeout performed to ensure expenditures are valid for the project and to prevent erroneous expenditures from posting after the term date

# FACT OR FICTION?

- Even though an award is closed, it is still subject to the regulations stated in OMB Circular A-110 or A-21

## FACT

- Closing an award does not affect any of the following (A110, SUBPART D, 72):
  - Right of an agency to disallow and recover funds; obligation of recipient to return funds due as a result of a refund; audit requirements; property management requirements; record retention

# FACT OR FICTION?

- Awards should only be closed 90 days after the end date – there is little point in reviewing the award prior to that time

## FICTION

- Monitoring expenditures during the award prevents reimbursement for unallowable charges
- Sponsors may require financial closeouts within 30, 45 or 60 days of the end date

# FACT OR FICTION?

- Financial records must be kept for a period of three years from the date of submission of the final expenditure report

## FACT

- OMB Circular A-110, Subpart C, 53 – Retention and access requirements for records (Note: non federal sponsors may have different)
- Financial records, supporting documents, statistical records and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report

# Reports related to closing out the award

- Financial Report (OSR)
- Technical(PI)
- Equipment (OSR)
- Patent/Invention (OSR, PI & OTD)
- Contract Release (OSR)
- Contractors Assignment (OSR)

# Final Thoughts

- The University has an obligation to sponsors and funding agencies to **bring funded projects to closure in a timely manner**
- The award closeout process is a **collaborative effort of all parties involved** in ensuring all project work has been completed, required reports filed, and financial matters resolved. Sponsors may withhold incremental funding or final payments until they receive outstanding reports
- Closing policies, procedures, and required documentation **vary depending on the sponsoring agency**; therefore, it is difficult to initiate a single closing form or procedure as a general guideline. Read your award!

# OSR Contacts

- Contact one of the following if you have questions:
  - Reporting Team Lead on Closeout Report
    - Betty Williams (bettjwill@email.unc.edu)
    - Nancy Armstrong (nancy\_armstrong@unc.edu)
    - Jim Kelly (jpkelly@email.unc.edu)
  - Financial Reporter assigned to the account
    - FRS screen 09D
    - RAMSeS Billing tab under Award Project
  - Jenifer Gwaltney (jgwaltne@email.unc.edu)
    - Assistant Director, Financial Reporting & Cash Management
  - Vanessa Peoples (vpeoples@email.unc.edu)
    - Deputy Director

