



# Extramural Fund Management

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August 11, 2022

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# **Changes to the Final Financial Deliverable Procedure**

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# Reminders of Requirements

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## NIH FFR Submission to PMS

- **Effective January 1, 2021, NIH requires the recipients to submit Federal Financial Report (FFR) SF-425 to PMS instead of eRA common/FFR Module**
  - PMS is Payment Management System where UCLA goes to draw cash on the Letter of Credit for grants from certain federal agencies including NIH.
  - This change does not impact the FFR due dates. NIH Grants Policy Statement [8.4.1.5.2: Financial Expenditure Reports] and [8.6.1: Final Federal Financial Report] remain unchanged.
- **This change directly impacts EFM's business processes and EFM adjusted processes to make successful transition with the new requirement.**

*From RAF in February 2021*

### What does Campus need to know?

- More strict enforcement of 120 day closeout:
  - Award status in PMS seems to be updated in real time. i.e. The award goes to "expired status" on the 121<sup>st</sup> day after the project end date. Drawing cash on the expired fund requires the explanation for a delay and approval of GMO at NIH.
- ~~At the point of submission of the FFR, system validation control runs to check if cash receipts, cash disbursements, and the final expenditures in the final FFR agree. If not, it does not allow submission of the final FFR.~~
- **Submit a closeout packet on time.**
  - The final draw amount is determined by the final expenditures. Late cash draw may not be approved by GMO. Then expense can be reported only up to the latest draw amount.
- **Submit an accurate and complete closeout packet. Please do not rely on EFM's final analysis.**
  - EFM's final analysis in absence of a closeout packet excludes all questioned costs that cannot be substantiated without additional documentation. EFM will likely report the final expenses less than expenses recorded in GL.
  - In order to submit a revised FFR, NIH's approval is needed in advance to draw additional cash or return cash on expired fund. NIH's approval may not be obtained to recover additional cost not included in the original final FFR.
- Department will be financially responsible for expenses that could not be included in the final financial deliverable due to that a closeout packet was submitted late or incomplete.

# Reminders of Requirements

- **Uniform Guidance § 200.344 Closeout:**

- “~ If the non-Federal entity fails to complete the requirements, the Federal awarding agency or pass-through entity will proceed to close out the Federal award with the information available. ~”
- (a) The recipient **must submit the final financial report** as required by the terms and conditions of the Federal award **no later than 120 calendar days** after the end date of the period of performance.
- (b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity **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

*From RAF in May 2022*

- **Uniform Guidance § 200.1 Definitions:**

- **Unliquidated Financial obligation** means, for financial reports prepared on a cash basis, financial obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are financial obligations incurred by the non-Federal entity for which an expenditure has not been recorded.

- **What does this mean to UCLA?**

- All project expenses must be recorded in General Ledger (GL) within the liquidation period.

# Industry Changes and Impact to UCLA

- **These are not new requirements, but the sponsor has been enforcing these requirements a lot more rigorously.**
- **UCLA has been balancing between financial risk and compliance risk.**
  - Including expenses in the final financial deliverable even though they are not posted to the project fund in General Ledger (GL) is not in compliant, but it has been our practice, provided that the adequate supporting documentation was supplied, with the focus on full recovery of costs incurred for the project.
- **With changes in the industry climate with stricter enforcement of rules, compliance risk UCLA is taking with the current procedure is higher than before. It is inevitable that UCLA reassess the current procedure considering financial and compliance risk.**
- **The new procedure should be designed to include only the project expenses posted to the project fund in GL in the final financial deliverables.**
  - Any payroll or non-payroll expenses incurred but not posted to the project fund in GL in time will not be included in the Final.

# Other Considerations

- **Single Audit Finding in Cash Management**
  - A finding is reported that UCLA draws cash for the expenses posted to GL but not been paid.
  - UCLA does not agree with this finding based on the inconsistency in the requirements described in UG vs the audit procedures in UG Compliance Supplement.
  - Nonetheless, this highlights that UCLA should no longer take compliance risk of including expenses not posted to GL in the Final to recover costs. This non-compliance will increase financial risk as well.
- **The current procedure of including additional expenses not posted to the project fund in the final financial deliverable (“the Final”) requires multiple reviews of the same fund to reconcile expenses in the GL to those reported to the sponsor.**
  - This process is inefficient and delays in closing expired funds. UCLA will move forward with transitioning to Oracle ERP and timely closeout of the expired funds becomes very critical for conversion of the data before go-live.

# Important Upcoming Changes

- **Target Effective Date: [January 1, 2023](#)**
  - Closeout packets due on January 1, 2023, and onward.
- **Key changes:** In the final financial deliverables (the final), EFM will consider including the only expenses that are *posted to the project fund in GL* and *included in the closeout packet* (COP). If expenses are not posted to the fund in GL, EFM will not include them in the final even if they are included as adjustments in the COP for the *finals due 60 days or later* after the project period.
  - Monthly reconciliation, required by UCLA [policy 910](#), can ensure that all expenses are posted to the project fund in GL including cost transfers before submitting a COP to EFM (Refer to the reconciliation timeline in the next slide).
  - The PI/Department will be responsible for locating unrestricted funding source to cover expenses not included in the Final and transfer them off from the project fund.
- **Business scenarios:** If there are any business scenarios we should consider in developing the new procedure, email them to Yoon ([yoony.lee@research.ucla.edu](mailto:yoony.lee@research.ucla.edu)).
  - Any questions or comments are welcome and appreciated.

# Reconciliation Timeline

After the project period ends	Final due to the sponsor: 60 days COP due to EFM: 30 days	Final due to the sponsor: 90 days COP due to EFM: 60 days	Final due to the sponsor: 120 days COP due to EFM: 90 days
1 ~ 30 days	Department conducts monthly reconciliation and process necessary cost transfers for the project. All timely cost transfers will be posted within this period. <b>NPEAR: Overnight &amp; Direct Retros:</b> See the schedule on the CRU site. <a href="https://www.centralresourceunit.ucla.edu/s/article/Direct-Retro-Processing-Schedule-2022-2023">https://www.centralresourceunit.ucla.edu/s/article/Direct-Retro-Processing-Schedule-2022-2023</a>		
1 ~ 30 days	Department confirms correction entries and the final expenses and submits an accurate and complete closeout packet (COP) to EFM. The COP is not to include any expenses not posted to the project fund in GL.		
31 ~ 60 days	EFM reviews the COP and GL. EFM does not include any additional expenses not included in the COP.		
61 ~ 90 days	EFM reviews the COP and GL. EFM does not include any additional expenses not included in the COP.		
91 ~ 120 days	EFM reviews the COP and GL. EFM does not include any additional expenses not included in the COP.		



# Due Dates of Final Financial Deliverables

- Looking at the finals due between July 1, 2021 and December 31, 2024;

Final due to the sponsor: after the project end,	The number of funds	The percentage of the total
By 30 days or less	588	9%
Between 31 ~ 59 days	390	6%
Between 60 ~ 89 days	1,736	27%
Between 90 ~ 119 days	2,054	31%
120 days or greater	1,776	27%
<b>Total</b>	<b>6,544</b>	<b>100%</b>

- For the finals due 60 days or later after the project end date (85% of the total Finals), the new procedure will be applicable.
- For the finals due less than 60 days after the project end date (15%), EFM will continue to review expenses included in the COP and include them in the final even if they are not posted to GL, provided that adequate supporting documentation is submitted along with the COP.

# What support will be provided for the new procedure?

- **PAMS worklist**
  - Tailored dashboards of worklists are available for financial deliverables and closeout packets.
  - Due dates of final financial deliverables and closeout packets are available in PAMS.
- **Email Alerts**
  - EFM will continue to send fund expiration notifications to the PI and the department administrator on 90 days and 30 days prior to, and on the day of fund expiration.
  - EFM will continue to send a closeout packet reminder 15 calendar days prior to the COP due date.
- **Communication of upcoming procedural changes**
  - Department fund manager and management team (CAO, CFO, MSO, or equivalent positions)
  - Dean's office at schools
  - Principal investigators
  - Other central offices (Procurement and Accounts Payable, Business and Finance Solutions)

# What do I need to do now?

- **Do you have a project fund that is behind monthly reconciliation?**
  - Catch up on reviewing expenses and process necessary cost transfers now to bring the fund to current.
- **Do you have an outgoing subawards of which invoices are not submitted to UCLA timely?**
  - Follow up on getting subaward invoices. Remind the subawardees the invoice due date and that late submission can result in non-payment.
- **Do you need to rely on a payroll person processing direct retros (DR) and experience a delay?**
  - Communicate the upcoming changes and explain that a delay in processing DRs can result in non-reimbursement and the PI is required to find an alternative unrestricted funding source for non-reimbursed expenses.
- **Do you experience a delay in getting necessary approval from the PI?**
  - Communicate the upcoming changes and explain that a delay in getting an approval can result in non-reimbursement and the PI is required to find an alternative unrestricted funding source for non-reimbursed expenses.
- **Do you have any other business scenarios to discuss?**
  - Email Yoon, [yoon.lee@research.ucla.edu](mailto:yoon.lee@research.ucla.edu). Let's work together to find solutions to overcome challenges to stay in compliance and recover costs.