



Research Administration Forum

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Financial Deliverable Preparation Procedure

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Financial Closeout of sponsored Projects

History

- **April 2015: EFM announced the procedure for “Federal Fund Closeout”.**
- **July 2015: The procedure went into effect. It included the following key steps.**
 1. Department submits a closeout packet to EFM by the due date.
 2. EFM reviews a closeout packet and work with the department for additional inquiries to prepare and submit an accurate financial deliverable to the sponsor.
 3. In the event Department fails to submit a closeout packet by the due date, EFM initiates analysis of final expenditures to prepare and submit a financial deliverable to the sponsor.
- **September 2016: EFM announced the procedure for “Financial Closeout of Sponsored Projects”.**
 - The procedure for “Federal fund closeout’ was expanded for all sponsored projects.
- **January 2017: The procedure went into effect.**
- **The standard procedure expected of campus to follow is Step #1 and Step #2.**
- **Step #3 was added as a back up plan in the event when Step #1 and Step #2 are not followed.**
 - The purpose of adding the step #3 was to minimize financial and compliance risk for the University.
 - Recovering some costs incurred for the project by submitting financial deliverable on time is better than putting all unbilled/unreported costs at risk for non-reimbursement.
 - Continued or frequent non-compliance with on-time submission will jeopardize future funding.
 - The step #3 was never intended to be the standard procedure for financial closeout of the sponsored projects.

Financial Deliverable Preparation Procedure

What is happening now?

| FY19 | | | | |
|------------------------------|-----------------|-----------------------|---------------------------|-------------------------|
| Financial Organization in FS | Closeout packet | | | |
| | Due | Submitted by due date | NOT submitted by due date | On-time submission rate |
| A | 2 | - | 2 | 0.00% |
| B | 3 | - | 3 | 0.00% |
| C | 26 | 11 | 15 | 42.31% |
| D | 1 | - | 1 | 0.00% |
| E | 7 | - | 7 | 0.00% |
| F | 736 | 210 | 526 | 28.53% |
| G | 26 | 7 | 19 | 26.92% |
| H | 53 | 15 | 38 | 28.30% |
| I | 158 | 34 | 124 | 21.52% |
| J | 3 | 1 | 2 | 33.33% |
| K | 7 | 1 | 6 | 14.29% |
| L | 19 | 12 | 7 | 63.16% |
| M | 381 | 165 | 216 | 43.31% |
| N | 34 | 14 | 20 | 41.18% |
| O | 1 | - | 1 | 0.00% |
| P | 3 | - | 3 | 0.00% |
| Q | 21 | 6 | 15 | 28.57% |
| R | 20 | 6 | 14 | 30.00% |
| S | 18 | 9 | 9 | 50.00% |
| T | 2 | - | 2 | 0.00% |
| U | 110 | 15 | 95 | 13.64% |
| V | 69 | 26 | 43 | 37.68% |
| W | 13 | 1 | 12 | 7.69% |
| X | 3 | 1 | 2 | 33.33% |
| Total | 1,716 | 534 | 1,182 | 31.12% |

- 1,716 closeout packets were due to EFM.
- **1,182** closeout packets were not submitted to EFM by the due date.
- 534 closeout packets were submitted to EFM by the due date.
 - Not all 534 closeout packets were complete for EFM to conduct a meaningful review.
- 31% followed the procedure as intended.
- **69%** did not follow the procedure.

1,182 funds were left for EFM to initiate analysis of total expenditure for the project.

Financial Deliverable Preparation Procedure

Concerns and Plans

- **EFM initiating analysis of final expenditure for 69% of sponsored project funds with expenditure over a billion dollars is not sustainable.**
- **Eliminating the step #3 will place the University back in the position where financial and compliance risk was higher before implementing the new procedures in phases in 2015 and 2017. This is not an option.**
- **For financial closeout of a high number of the sponsored projects without a closeout packet, the changes to the procedures were necessary.**
 - These minimum changes would not address the fundamental concern and the issue of sustainability.
- **Strong partnership from campus to submit a complete closeout packet on time is critical to ensure cost recovery and not risk future funding for the University.**
- **EFM will continue to monitor on-time submission rate of closeout packets and**
 - If complete closeout packets are submitted on time 70% or more, these changes can be reversed.
 - If notable improvement is not made, alternative approaches need to be considered to ensure on-time submission of the final financial deliverables to recover costs for sponsored projects.

Final Financial Report or Invoice

| | Prior to January 9, 2020 | Effective January 9, 2020 |
|---|--|--|
| When a complete closeout packet is submitted to EFM by the due date: | EFM prepares and submits the final to the sponsor. (Additional inquiry may be needed) | No change. |
| When a complete closeout packet is <u>NOT</u> submitted to EFM by the due date: | EFM initiates and communicates EFM’s analysis of final expenditures. | No change. |
| | Department responds to EFM’s analysis within 5 business days. <ul style="list-style-type: none"> • EFM accepts all adjustments to EFM’s analysis as long as a complete list of adjusting transactions with appropriate supporting documents are submitted. • EFM submits the final based on EFM’s analysis when a response is not complete or not received by the due date. | 5 business days → 3 business days No other change. |

“Financial Closeout of Sponsored Projects” procedure document can be downloaded at <https://efm.research.ucla.edu/policies-and-procedures/>

Annual Financial Report

- When the sponsor requires an annual financial report to close out each budget period, EFM prepares the annual financial report as follows. (“Final for Budget” in PAMS)

| | Prior to January 9, 2020 | Effective January 9, 2020 |
|--|---|---|
| When a separate fund number is assigned for each budget period: | The procedure for “Financial closeout of sponsored project” applies. | No change. |
| When a single fund number is assigned for the entire project period: | <p>Department responds to EFM’s analysis within 5 business days.</p> <ul style="list-style-type: none"> EFM includes expenses posted to GL after the budget period but incurred during the budget period (based on “doc date” in GL) and excludes unallowable/inapplicable expenses. EFM accepts all adjustments to EFM’s analysis as long as a complete list of adjusting transactions with appropriate supporting documents are submitted. EFM submits the final based on EFM’s analysis when a response is not complete or not received by the due date. | <p>5 business days → 3 business days</p> <ul style="list-style-type: none"> No change All adjustments → Subward expenses only. No change |

Revision of the Final Financial Deliverables

- Most revision requests are made when the final financial deliverable was submitted based on EFM's analysis in absence of a closeout packet and response to EFM's analysis.

| | Prior to January 9, 2020 | Effective January 9, 2020 |
|--------------------------------------|--------------------------|---|
| Revision to reduce expenses | | |
| The amount to revise | Revise for any amount | No change |
| The number of revision | No limit | No change |
| The timing of revision | Anytime | No change |
| Revision to increase expenses | | |
| The amount to revise | Revise for any amount | Was a complete closeout packet submitted to EFM by the due date? <ul style="list-style-type: none"> • Yes: \$5,000 or over • No: \$10,000 or over |
| The number of revision | No limit | Up to 2 times |
| The timing of revision | Anytime | Within 120 days after the submission date of the original final or the original final due date, whichever is later |

Changes to Financial Deliverable Preparation Procedure

SUMMARY OF CHANGES

| Areas | | Prior to 1/1/20 | Effective 1/1/20 |
|--|-----|---|---|
| Annual Financial Report (Closeout by budget period: “Final for Budget” in PAMS) | | Accepted all additional expenses for the budget period when supporting documents were provided. Department had 5 business days to respond to EFM’s analysis of expenditures. | Accept adjustments for sub award expenditures only with the supporting documents. 3 business days |
| Final financial deliverables, Was a complete closeout packet submitted to EFM by the due date? | Yes | EFM submitted the final to the sponsor (additional inquiry may be needed) | No change |
| | No | Department had 5 business days to respond to EFM’s analysis of final expenditures. | 3 business days |
| Revision of the Final, Is it to reduce the reported expenditure? | Yes | Revised for any amount, Unlimited times, Any time | No change |
| | No | Revised for any amount, Unlimited times Any time | Was a complete closeout packet submitted to EFM by the due date? <ul style="list-style-type: none"> • Yes: \$5,000 or over • No: \$10,000 or over Up to 2 times within 120 days after the submission date of the original final or the original final due date, whichever is later |