Race to the Finish Line

Building a Better Close-out Process

NCURA Region IV Meeting

April 19, 2011

Where do all these rules come from?

- OMB Circular A-110 sets the uniform administrative requirements for grants and agreements with institutions of higher education, hospitals, and other non-profit organizations.

- A110 sets the requirements for systems and procedures that must be in place for recipients of federal awards.

From A-110 Subpart D.71 Close-Out Procedures

- Financial and performance reports must be submitted within 90 calendar days

- The recipient must refund any advances or payment not authorized

- The recipient must account for any property acquired with Federal funds or received from the Federal Government

Practice Runs

- Goal:
  90 Days

- Actual Time:
  270 Days

Close-Out Responsibilities: Everyone Plays a Role

- The Division/Department/PI must communicate with the Central Office.

- Who starts the process?

And there off…

- Solution: 60 days prior to close-out, automatically generate a reminder e-mail to send to the appropriate post-award departmental contacts.

The 60 day e-mail will ask:

- Do you need a no cost extension?
- Are the costs allowable, allocable and reasonable?
- Are cost transfers needed?
- Are other reports required?
- What about equipment?
- Are there open encumbrances?
- Have the sub awards been closed out?
- Have effort commitments been met?

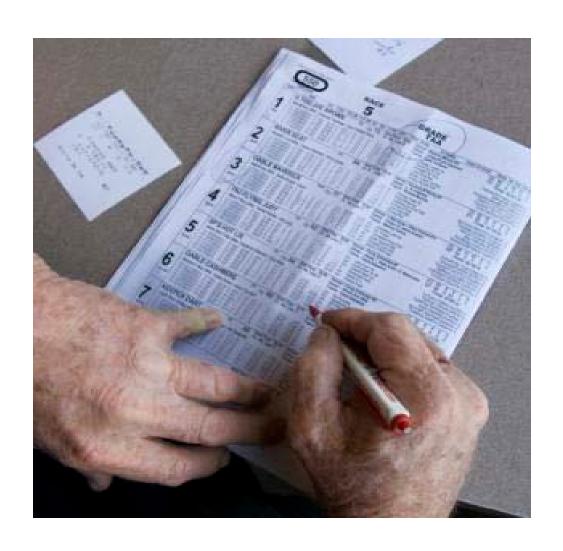The email also provides guidance on how to address these issues.

Final Reports

- **Financial Reports**
  Who submits: Central Office, generally
  What to look for:
    - Have all project expenditures been posted?
    - Are they allowable?
    - Are they allocable?
    - Are they reasonable?

- Question: How do a department administrator and central administrator get on the same page?

Computational Worksheet

- Solution: Send a worksheet listing questioned costs.
    - Identify expenditures that are inappropriate or raise red-flags.
    - Verify that documentation and justifications are in place.
    - Initiate cost transfers as needed.

Final Reports

- **Technical Reports**

  <u>Who submits</u>: PI or Program Staff or Central Office?

  <u>What to look for</u>: Submitted? Timely? Appropriate and complete information (Award #, PI name, title, etc.)? Proper report distribution?

Final Reports

- **Invention Reports**
  <u>Who submits</u>: Varies
  <u>What to look for</u>: Have reports been filed, using appropriate forms?

- **Property Reports:**
  <u>Who submits</u>: Varies
  <u>What to look for</u>: Who owns equipment? What is disposition of equipment?
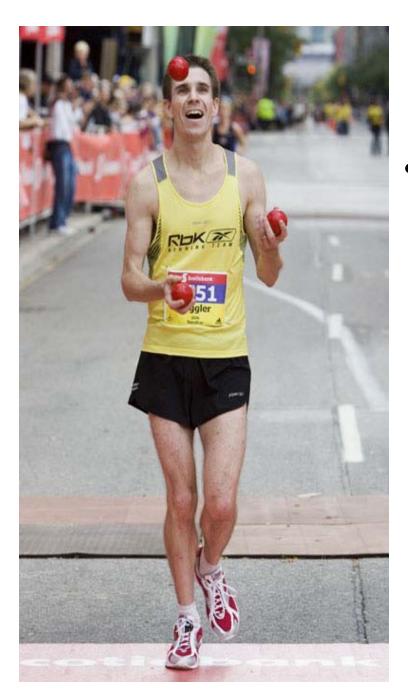 Institution vs. sponsor ownership?

Subrecipient Reports

- Flow-down requirements make subs responsible for reporting

- Final reports must include prime and subs

- Subaward reports must be submitted prior to due date for reports to sponsor

- PI (prime) approves reports (technical and program)

- Subs should be <u>closed</u> before prime is closed

- Question: How can a department make this happen?

Sub-agreements

- Solution: Shorten either the period of performance or the final reporting requirement deadline for sub-recipients.
  - Develop checklist for departments to take needed close-out steps.
  - Remind sub-recipients of deadlines.

The big issue…

- Deficits (overruns)
  - Usually cannot be shifted to other awards
  - May be transferred to other institutional non-sponsored funds
  - What funding should I use?

Suspense accounts

- Solution: If a funding source to cover the questioned costs cannot be determined, move them off the project to a designated suspense account.
  - Allows the close-out process to proceed.
  - Gives the appropriate parties time to have the needed discussions.

Other Close-Out Issues

- Contract Terms and Conditions
  - Payment linked to timing or milestones/deliverables
  - Notify your accountant if project milestones have not been met
- Cost Sharing
  - Needs to be incurred during period of performance
  - Verify that all documentation is in place.

Other Close-out Issues

- Fixed Price Agreements
  - Large residual balances should raise questions!
    - Was the budget prepared in compliance with A-21 which required all costs to be reasonable?
    - Does the balance exist because the expenses were never placed on the award? Did another sponsor or the State therefore pick-up the costs?
    - Does keeping the balance raise any tax issues because it may be viewed as income to the organization?

Other Close-out Issues

- Residual supplies (>$5,000) purchased on project must be credited back to the award. (A-110, C.35.(a).)

- Program Income
  – Disposition of program income generated before termination
  – Disposition of program income generated after termination

Other Close-out Issues

- Early Termination
  - Termination may occur as a result of:
    - Mutual agreement by the parties
    - Termination for convenience or for cause
  - Relinquishing Statements
  - Refund Process

Other Close-out Issues

Retention And Access Requirements For Records

- Federal financial records, supporting documents, statistical records and all other records shall be retained for a period of THREE years, with the following exceptions:
  - Litigation (until all matters have been resolved);
  - Real property and equipment records retained three years after final disposition of the property;
  - When records are transferred to the agency, the retention requirement ends.
- **If Your Institutional or State Policy Exceeds Fed. Period, You Must Follow Your Policy.**

Other Close-out Issues

Record Retention (continued)

- With agency approval, copies can be substituted for original records.

- When does the clock start?
  - Date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report;

- Access to records by agency, inspector general, or comptroller general is allowable.

But Wait…There's More to Do:

- Avoid post period spending
  - Notify all vendors of new order numbers
  - Particularly important for internal billing operations: (Supplies, IT, Maintenance, Repairs, Fleet, etc.)
- Communicate with your accountant through the entire closeout process – when in doubt, ask questions!

Close-out Responsibilities

*Good project management over the **life of the award** will help to eliminate any problems after the award has ended.*

Questions?

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