

RESEARCH ADMINISTRATION

Extramural Fund Management

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Increased Audit and Financial Risk with Federal transition to Subaccount

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NIH award transition to subaccount

Timeline overview

July 2013:

- Under directive of DHHS, NIH announced transition of all domestic awards in the pooled account to subaccounts in Payment Management System (PMS).
- Goals were to increase data transparency related to all financial activities on the letter of credit and to enhance effective and timely closeout of awards.

October 2013:

- NIH started issuing a competing awards under subaccounts in PMS.

October 2015:

- NIH started transitioning non-competing awards from the pooled account to subaccounts in PMS.

NIH award transition to subaccount

Pooled account:

- UCLA draws cash for all awards in the pooled account in lump sum every week and reports detailed cash draw amount for each award quarterly (FFR 425).
- NIH does not have cash disbursement information at award level until the quarterly FFR is submitted.

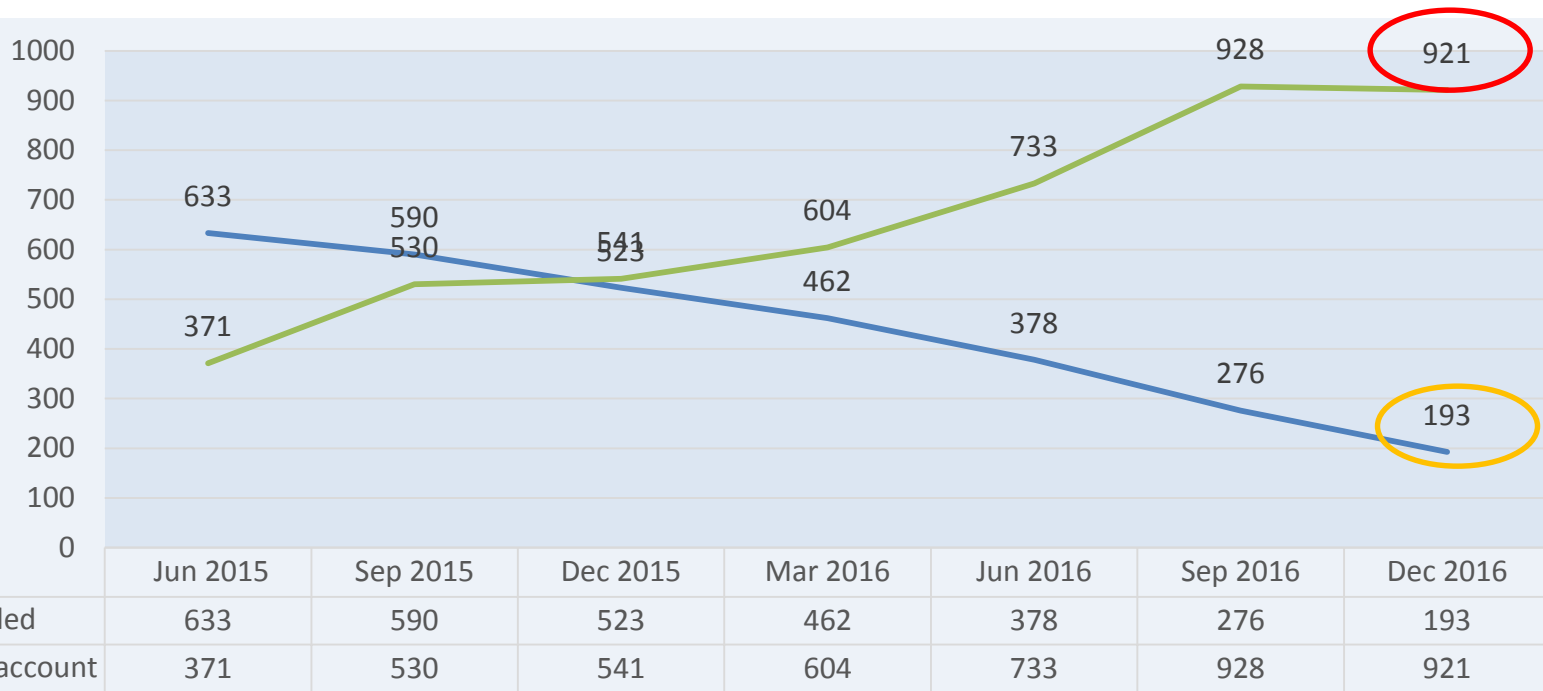
Subaccount:

- UCLA is required to identify the amount to draw at award level each time when cash is drawn.
- NIH has access to cash disbursement information at award level at any given point of time.
- UCLA generally draws cash every week → UCLA spending information is provided for each award in PMS every week.

NIH award transition to subaccount

Transition Trend and Status at UCLA

- As of December 31, 2016, UCLA had 921 awards in subaccounts and 193 awards remaining in the pooled account. 83% of awards are in the subaccount.



NIH Cash Draw Data

NIH Cash Draw Amount for October 2016 through January 2017

- Average monthly draw amount is approximately \$31.5 million. 95% of amount are now drawn from subaccounts.

Total Cash Draw	Oct-16	Nov-16	Dec-16	Jan-17
Pooled account	1,714,189.18	784,302.78	305,334.92	1,469,399.08
Subaccount	29,143,375.53	45,455,459.80	9,849,391.16	29,986,689.10
Total	30,857,564.71	46,239,762.58	10,154,726.08	31,456,088.18
Subaccount / Total	94%	98%	97%	95%

- Average monthly refund is over \$700k, about 2.5% of average monthly expenditure. More frequent refunds are noted on certain funds.

Subaccount	Oct-16	Nov-16	Dec-16	Jan-17
Cash draw (expenditures)	29,702,767.89	46,031,853.23	10,501,067.03	31,073,454.77
Refund	(559,392.36)	(576,393.43)	(651,675.87)	(1,086,765.67)
Total	29,143,375.53	45,455,459.80	9,849,391.16	29,986,689.10
Refund/Expenditures	2%	1%	6%	3%

NIH Cash Draw Data

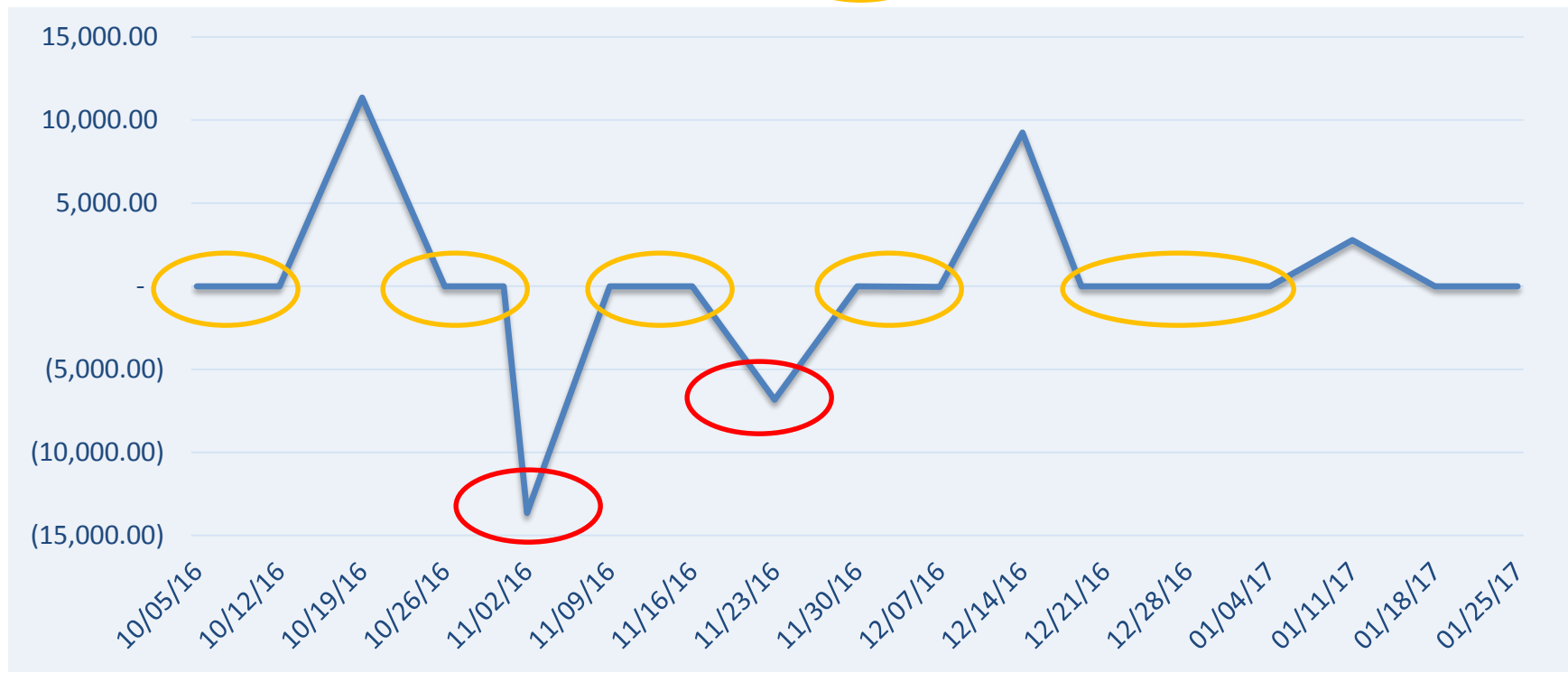
Return of funds on awards:

- Occurs when expenses decreased from the last draw
- Represents cost transfers → Costs were incorrectly charged to the project
- Frequent and/or material refund may alert NIH of deficiency in internal controls over administering grants
- For awards in the pooled account, frequency and amount of refunds are not transparent since award level data are provided quarterly.
- For awards in subaccount, frequency and amount of refunds are tracked in a transparent manner.

NIH Cash Draw Data

- Weekly draw activity on one actual NIH award in the subaccount from Oct 2016 – Jan 2017

Credit back to LOC: returning cash
 No cash request: no expense incurred



NIH Cash Draw Data

Spending data for awards in subaccount are up to date and readily available for NIH. Questions can be asked when

- Frequent and/or material refunds are made
- Accelerated spending toward the end of the project period is noted
- High unexpended balance remains when the project period is near to end
- Spending is deemed not aligned with progress reported

These are not necessarily mean improper financial management; however if appropriate explanation and/or documentation is not provided when asked, they may lead more investigation

NIH FFR Approval and De-obligation

- We noted significant improvement in NIH's turnaround times to review FFR: generally within 1 month after FFR submission.
- With transition to subaccounts, we also noted immediate de-obligation of funds in PMS: on the same day of FFR approval.
- Additional expenses not reported in the original FFR is not likely to be reimbursed even if the revised FFR is submitted once funding is de-obligated in PMS.
- Timely submission of accurate COP to EFM will ensure reimbursement of costs incurred for the project.

NIH FFR Approval and De-obligation

Case #1: NIH-National Institute of Environmental Health Sciences (NIEHS)

Project Period	09/22/14 - 08/31/16	FFR Due	11/29/2016
Federal funds authorized	162,002.07	FFR Submitted	11/28/2016
Final expenses reported	154,000.00	Date NIH accepted FFR	12/19/2016
Unobligated balance	8,002.07		

PMS	POST DATE	ISSUE DATE
-8,002.07	12/21/2016	12/19/2016
0	8/14/2015	8/13/2015
154,000.00	9/22/2014	9/19/2014
8,002.07	3/9/2016	3/8/2016
154,000.00		

FFR accepted on 12/19/16 → Balance de-obligated on 12/19/16
 (Balance de-obligated within 1 month from submission of FFR)

NIH FFR Approval and De-obligation

Case #2: NIH-National Institute of Neurological Disorders and Stroke (NINDS)

Project Period	07/01/14 - 06/30/16	FFR Due	10/28/2016
Federal funds authorized	423,500.00	FFR Submitted	10/27/2016
Final expenses reported	422,047.15	Date NIH accepted FFR	11/8/2016
Unobligated balance	1,452.85		

PMS	POST DATE	ISSUE DATE
-1,452.85	11/10/2016	11/8/2016
192,500.00	4/30/2015	4/29/2015
231,000.00	4/23/2014	4/23/2014
422,047.15		

FFR accepted on 11/08/16 → Balance de-obligated on 11/08/16
 (Balance de-obligated within 1 month from submission of FFR)

NIH FFR Approval and De-obligation

Case #3: NIH-National Institute of Child Health and Human Development (NICHD)

Project Period	05/12/14 - 04/30/16	FFR Due	7/29/2016
Federal funds authorized	152,075.00	FFR Submitted	7/26/2016
Final expenses reported	149,688.09	Date NIH accepted FFR	8/16/2016
Unobligated balance	2,386.91		

PMS	POST DATE	ISSUE DATE
-2,386.91	8/18/2016	8/16/2016
75,075.00	3/18/2015	3/17/2015
77,000.00	5/13/2014	5/12/2014
149,688.09		

FFR accepted on 8/16/16 → Balance de-obligated on 8/16/16
 (Balance de-obligated within 1 month from submission of FFR)

Increased Risk for Audit and Financial Loss

Spending data are readily available for funds on letter of credit

- Transition of all NIH awards in the pooled account to subaccount in PMS is anticipated to be completed in August 2017.
- Cash draws on all NSF awards are performed at the award level in ACM\$.
- More data are available for sponsors to conduct various data analytics to effectively and efficiently identify questioned and/or unusual patterns for further investigation.

It is important

- To record expenses to the correct project to minimize cost transfers.
- To monitor spending rate in relation to project progress and record charges timely.
- To submit an accurate FFR timely for reimbursement for cost incurred for the project.
- To be aware that a window of opportunity for revision is short.

Contact information

EFM Website

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