



Extramural Fund Management

August 11, 2022

Agenda

- **FY21 Single Audit**
- **Changes to the Final Financial Deliverable Procedure**
- **Changes to the Final Financial Deliverable Revision Procedure**

FY20-21 Single Audit

Yoon Lee

Singe Audit (UG Audit)

- The University completed its Single Audit for the FY21 in accordance with the OMB Uniform Guidance 2 CFR 200 Subpart F and submitted it to Federal Audit Clearinghouse on June 30, 2022.
- As with the financial statement audits, the Single Audits are conducted on a consolidated basis and reports on all campus locations.

Overview

UC receives two audits every year by independent auditors besides numerous audits by sponsoring agencies. These two audits are conducted on parallel leveraging certain audit procedures for both.

Financial Statement Audit

- Independent, objective evaluation of financial reports and financial reporting processes to obtain reasonable assurance that financial statements are free from material misstatement.
- In accordance with Generally Accepted Accounting Principles (GAAP) and standards established by Governmental Accounting Standards Board (GASB).

Single Audit (Uniform Guidance Audit)

- Independent examination of an entity that expends \$750,000 or more of federal assistance to ensure that appropriate internal controls over compliance are in place and that federal funds are spent in compliance with the federal program's requirements in accordance with Uniform Guidance.
- Single audit is conducted in accordance with Uniform Guidance (2 CFR 200. Subpart F)

From RAF in September 2021

Single Audit Reports

- **As part of the Single Audit, the auditor prepares three following reports.**
 - The first report provides auditor's opinion on whether the University's **financial statements** are presented in accordance with US Generally Accepted Accounting Principles (GAAP).
 - The second report describes the scope of auditor's testing of **internal controls and compliance** and the results of testing in accordance with Generally Accepted Government Auditing Standards (GAGAS).
 - The third report provides auditor's opinion on compliance with requirements that could have a direct and material effect on each of the selected **major federal programs on internal control over compliance** in accordance with Uniform Guidance.
- **Audit results including auditor's opinion are summarized in "Schedule of Findings and Questioned Costs" in the report.**
- **The entire audit report can be found at,**
 - Federal Audit Clearing House: University of California <https://facdissem.census.gov/Main.aspx>
 - UCOP Single Audit reports: <https://www.ucop.edu/financial-accounting/financial-reports/a-133-audit-reports.html>

Single Audit Reports: Understanding Terminology

- **A deficiency in internal control exists when:**
 - The design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance on a timely basis.
- **Significant deficiency:**
 - A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control, yet important enough to **merit attention by those charged with governance**.
- **Material weakness:**
 - A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that **material noncompliance** with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Single Audit: Summary of Results

Financial Statements		
Type of auditor's report	Unmodified (clean opinion) "UC Financial statements are presented fairly, in all material respects, in accordance with Generally Accepted Accounting Principles (GAAP)"	
Internal control over financial reporting	Material weakness identified?	No
	Significant deficiencies identified?	Yes
	Noncompliance material to the financial statement?	No
Federal Awards		
Type of auditor's report issued on compliance for major programs	Unmodified (clean opinion) <i>"UC compiled, in all material respects, with the types of compliance requirements in accordance with Uniform Guidance"</i>	
Internal control over major program	Material weakness identified?	No
	Significant deficiencies identified?	No
	Noncompliance material to the financial statement?	No
Audit findings required to be reported in accordance with 2 CFR 200.516(a)?		Yes
Auditee qualified as a low-risk auditee?		Yes

Schedule of Findings and Questioned Costs

- **Financial Reporting Findings:**
 - 2021-001: IT General Controls for Retirement System (Significant Deficiency)
- **Federal Award Findings and Questioned Costs:**
 - 2021-002: Subrecipient monitoring (UCSD & UCI)
 - 2021-003: Suspension and debarment (UCD, UCI, UCLA)
 - 2021-004: Cash management (UCLA)
- **Did either finding 2021-003 or 2021-004 relate to the subawards UCLA received from Pass through entities?**
 - If you receive an audit related question, forward it to RFCHelp@research.ucla.edu. EFM will handle the question.
 - All exceptions on these findings, “suspension and debarment” and “cash management” were noted on direct federal awards and do not affect subawards at UCLA.

Schedule of Findings and Questioned Costs

- **2021-003: Suspension and debarment – no questioned cost**
 - Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred.
 - UCLA has a policy that a SAM.gov check be attached to each purchase order. Through testing of 25 selections, PwC noted 11 instances where the SAM.gov check was performed after the execution of the purchase order and 8 instances where no SAM.gov support could be provided.
 - UCLA Procurement Office submitted a management response including correction actions to be completed by April 2023.
- **2021-004: Cash management – no questioned cost**
 - In accordance with 2 CFR 200.305 (b), for non-Federal entities, payment methods must **minimize the time elapsing** between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity ~
 - UCLA request reimbursement based on expenses incurred (rather than confirming if payments have been made). Through testing of 25 selections, PwC noted 6 instances where **reimbursement was requested from the sponsor before the University paid the vendor.**
 - UCLA EFM maintains the position that the campus is in compliance with 2 CFR 200.305 (b).

Finding 2021-004: Cash management

- **Why does PwC call out this as a finding?**
 - “**Compliance Supplement**” is 2CFR Part 200, Appendix XI that provides auditors with audit objectives and suggested audit procedures for determining compliance with federal program’s compliance requirements.
 - OMB Compliance Supplement Part 3. Section C. Cash Management: Audit objective #4 says, “*For grants and cooperative agreements to non-federal entities that are paid on a reimbursement basis, supporting documentation shows that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request*”.
- **Why does UCLA have a different opinion?**
 - UCLA maintains accounting records on an accrual basis and indicates in the Federal Financial Report that it reports expenditures on an accrual basis of accounting.
 - Requesting reimbursement for the costs incurred and recorded in the Financial System on an accrual basis is compliant with the requirements stated in **2 CFR Part 200.305 Federal Payment**. “ ~ *minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity* ~”. It does not require that a payment must be made before requesting a reimbursement.
 - The definition of “Expenditures” provided in **2 CFR Part 200.1 Definitions** further supports this. “Expenditures” on an accrual basis include “the net increase or decrease in the amounts owed by the non-Federal entity for: Goods and other property received; and services performed by employees, contractors, subrecipients, and other payees.
 - This finding is the result of policy inconsistency. In October 2017, Council on Governmental Relations wrote a letter to OMB requesting the Compliance supplement to be amended. OMB has not provided a clarification yet.

Lessons Learned

- **Key compliance Requirements applicable to Research and Development**
 - Allowability of costs including cost transfers, cash management, equipment, period of performance, Procurement, suspension and debarment, reporting, subrecipient monitoring, and key personnel effort.
- **Cost Transfers**
 - Process **timely**. Be sure to **answer all questions for all cost transfers** even if not required by the system: UCPATH does not require these questions to be answered unless they are high risk salary cost transfers. Auditors select any cost transfers for testing. Testing is not limited to high-risk cost transfers. Cost transfers without answers indicate lack of basis to support its allowability.
- **Cash Management**
 - **All expenses must be recorded in the general ledger** before requesting for reimbursement.
- **Period of performance and Reporting**
 - Submit **a complete closeout packet** timely and maintain documentation for expenses recorded in the general ledger after the project period but reported to the sponsor.
- **Key Personnel**
 - Monitor **actual effort of key personnel** identified in the agreement to ensure that it satisfies the committed effort and certify effort reports on-time.

Changes to the Final Financial Deliverable Procedure

Yoon Lee

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 121st 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).
 - 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. NPEAR: Overnight & Direct Retros: See the schedule on the CRU site. https://www.centralresourceunit.ucla.edu/s/article/Direct-Retro-Processing-Schedule-2022-2023		
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%
Total	6,544	100%

- 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, yoan.lee@research.ucla.edu. Let's work together to find solutions to overcome challenges to stay in compliance and recover costs.

Changes to the Final Financial Deliverable Revision Procedure

Yoon Lee

Payment Management System

- **The Payment Management System (PMS) is a tool to help grant recipients draw down funds and file the Federal Financial Report (FFR).**
- **For federal grants from DHHS, NASA, Department of Labor, Corporation for National and Community Services(CNCS) and a few more agencies, UCLA draws cash on the letter of credit (LOC) with US Treasury through PMS.**
 - Grants on LOC do not require UCLA to submit an invoice to get payments.
 - UCLA can draw cash under a designated document number in the PMS for each grant.
 - UCLA is required to report expenditures, cash receipt and cash disbursement through the FFR.
- **PMS automatically prohibit a grant recipient's access to the document to draw cash after the liquidation period, 120 days after the project end date.**
 - UCLA currently processes the final draw based on the expenditures finalized through a closeout packet. In order to regain access, the sponsor's approval is required. The sponsor notifies PMS directly when approval is granted.
- **It is privilege to have access to LOC as a low-risk auditee and this privilege can be revoked by the sponsor at the individual grant level or at the institution level.**

Revision to the Final FFR – LOC grants in PMS only

- Effective immediately, **August 11, 2022**
- Overall process to request a revision for the final financial deliverable remains same. Additional steps (**Step #4**) are applicable for DHHS LOC Grants in PMS only when the expenses increase.
 1. Department submits [a revision request form](#) to EFM. No change to the form.
 2. EFM FM reviews if the revision request form is complete and meets conditions for EFM to process revision (e.g. meeting the threshold for revision, the expenses are posted in GL, explanation for revision is adequate, etc.)
 3. If no, EFM FM communicates to the department that it is not meeting conditions for revision.
 4. If yes, EFM FM submits [a request for a late draw in PMS to the sponsor \(GMS\)](#), copying the PI and the department administrator(s).
 - a) If GMS approves the request, EFM FM proceeds to prepare a revised FFR and communicates the revised final amount to EFM CM along with the GMS' approval. EFM CM will work with PMS to reopen the document on LOC to draw cash based on the GMS's approval.
 - b) If GMS reject the request, EFM FM communicates the sponsor's rejection to the PI and the department administrator(s) and request to transfer expenses from the project fund.
- The revision procedure document is available on the EFM website, [Policies and Procedures](#).
 - All updates will be reflected in the document on the website by August 16th.

Background for the Change

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Final Financial Deliverables: Late Submission

- NIH NOT-OD-21-102: Reminders of NIH Policies related to Closeout
- NIH NOT-OD-21-149: Process for Requesting Drawdowns Outside of the Liquidation Period
 - Prior to submitting the payment request in PMS, submit a prior approval request to the IC Grants Management Specialist listed in the Notice of Award.
 - The request must provide the PMS subaccount, NIH grant number, the amount of funds being requested, and a justification for the late payment request. The recipient must also describe what action is being taken to preclude similar situations in the future.
 - The IC will review the request and if it is determined that the justification is adequate, will notify the recipient of the approval (Requests will be reviewed and considered on a case-by-case basis).
 - Once approved, NIH will notify PMS of the approval. The recipient may submit the payment request in PMS.

NOT-OD-21-102 issued April 2, 2021 and NOT-OD-21-149 issued July 8, 2021

UCLA Research Administration

From RAF in May 2022

Important Upcoming Changes

- **Target Effective Date: January 1, 2023**
 - A revision request submitted to EFM on January 1, 2023 and onward.
- **Key changes:** No change to a downward revision request. For an upward revision request,
 - Increasing thresholds for revision as follows;

	Current	January 1, 2023 ~
When a closeout packet is submitted	\$5,000	\$10,000
When a closeout packet is not submitted	\$10,000	\$30,000

- Reducing the number of revision and the window for a revision as follows;

	Current	Due Date	
Number	Up to 2	Within 120 days	after the original final due date or the submission date of the final, whichever is later
Timing	1	Within 60 days	

60 days after the original final due date is aligned with NIH requirement (180 days from the project end date).

- **Soliciting Feedback**
 - Any questions or comments are welcome and appreciated. Share your feedback with Yoon, yoon.lee@research.ucla.edu.

Any Questions?

Contact Information

EFM Website

<http://efm.research.ucla.edu>

Audit and UCPATH inquiry

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