



UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN



2009 BUSINESS LEADERSHIP CONFERENCE

How to Manage Award
Closeouts and Cost Transfers/
Compliance Challenges

Wednesday, March 18

Business Leadership at Illinois: Collaborating for a Brilliant Future

Please ...

- Turn off cell phones
- Avoid side conversations
- Q&A will follow presentation
- Sign the attendance roster
- Complete the evaluation at the end of the workshop
- Pick up case study materials before you leave

Workshop Presenters

- Kay Williams, Director
- Sandy Moulton, Associate Director
- Jayne Goby, Assistant Director
- Kathy Vance, Senior Coordinator

OBFS Grants and Contracts, Post-Award

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Workshop Objectives

- Define roles and responsibilities
- Communicate applicable Federal statutes and University policies
- Understand importance of compliance with award terms and conditions

AWARD CLOSEOUT

“Begin with the end in mind”

Stephen Covey, **THE SEVEN HABITS OF HIGHLY EFFECTIVE PEOPLE**



Challenges in Closeout

- Reporting Requirements
- Finalize Expenses
- Overdraft Funds
- What Might Prevent Payment?
- Other Issues

Challenges in Closeout (cont'd)

- Reporting Requirements
 - Be aware of deadlines for final invoicing and financial reporting, as required by sponsor
 - Review and follow up on monthly “*Notice of Terminating Awards Report*”

Challenges in Closeout (cont'd)

- Finalize expenses **prior** to deadline
 - Remove unrelated / unallowable expenses
 - Subaward closeout
 - Stop auto charges

Challenges in Closeout (cont'd)

- Overdraft Funds
 - Delays invoicing / financial reporting
 - Avoid using expired fund in anticipation of new funding -- set up an anticipation fund
 - Review and follow up on monthly “*Notice of Overdraft Funds Report*”

Challenges in Closeout (cont'd)

- What Might Prevent Payment?
 - Technical performance issues
 - Late technical reports and deliverables
 - Late final invoicing
 - Invoicing for expenses not budgeted or approved by sponsor
 - Economic issues

Other Issues

- Deterioration of relationship between technical personnel (internal or external)
- Undocumented agreements with sponsor regarding changes to scope
- Allegations of unacceptable or non-performance
- Delinquent program reports / deliverables

Collaborating Together

- Principal Investigator (PI)
- Departmental Unit
- Grants & Contracts (GCO)

PI Roles & Responsibilities

- Provide technical oversight to project
- Monitor and confirm all charges, including cost sharing
- Request/notify sponsor of changes to award (extensions, re-budgets, change in scope, extended absence, reduction of effort, etc.)
- Technical reporting

PI Roles & Responsibilities (cont'd)

- Disclose inventions
- Assist with resolution of collection issues
- Subrecipient monitoring
- Communicate and seek resolution on other problems impacting an award

Unit Roles & Responsibilities

- Act as liaison between PI & GCO
- Process all charges to project
- Monitor spending (i.e. burn rate)
- Initiate corrections and remove unallowable expenditures promptly
- Clear cost overruns in a timely manner

Unit Roles & Responsibilities (cont'd)

- Review and finalize expenditures to facilitate close out (as required by sponsor to ensure timely final invoicing)
- Provide information as requested on status of final reports, inventions, and subaward invoicing approvals
- Collaborate with GCO to interpret policy

GCO Roles & Responsibilities

- Create and maintain Banner grant funds and Cost Sharing database
- Responsible for financial management including invoicing, financial reporting, and cost share reporting
- Pre and post audit of costs

GCO Roles & Responsibilities (cont'd)

- Monitor accounts receivable and collaborate with Unit / PI as needed
- Interpret and communicate policy
- Coordinate submission of closeout reporting as required by sponsor
- Audit liaison

Rules and Regulations

- Award Terms and Conditions
- Sponsor Policies and Guidelines
- OMB Circulars
 - A-21 – Federal Cost Principles
 - A-110 – Federal Grant Management
 - A-133 - Federal Audit Regulations
- University Policies & Procedures Section 16
- State of Illinois Statutes
- University General Rules

A-21 Federal Cost Principles

- Allowable costs
- Unallowable and restricted cost categories
- Effort reporting
- DS-2 – Disclosure Statement of UIUC costing practices

http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

A-110 Federal Grant Management

- Incorporates A-21 Federal Cost Principles
- Financial reporting and invoicing
- Cost share
- Procurement standards
- Property standards
- Program performance
- Federal Demonstration Partnership (FDP)
 - Streamlines grant management

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

A-133 Federal Audit Regulations

- Annual (contracted out by State Auditor General)
- Required if annual expenditures exceed 500,000
- Major and high risk programs
- Programs are defined by CFDA numbers
- Schedule of expenditures of Federal awards
- All federal funds
 - Sponsored agreements
 - Ag appropriations (Hatch and Smith Lever)
 - Pass-through (State and other entities)
 - Student financial aid (grants and loans)

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Office of Inspector General

Each federal agency has an independent Office of Inspector General (OIG). The OIG conducts audits, evaluations and investigations to:

- Detect and prevent waste, fraud and abuse
- Promote economy, effectiveness and efficiency
- Keep the agency head and Congress informed

Possible Sanctions imposed by the Office of Inspector General

- Administrative Action
- Civil Action
 - Civil False Claims Act
- Criminal Prosecution
 - Criminal False Claims/False Statements
 - Theft/Embezzlement
 - Mail/Wire Fraud

Challenges in Compliance

- Increasing:
 - Complexity of rules and regulations
 - Volume of audit activity, both internal and external
 - Scrutiny and demand for accountability
 - Pressure to maintain or reduce administrative costs
- American Recovery & Reinvestment Act of 2009

Non-Compliance Risks

- Cost Disallowances
- Penalties
- Withhold payments
- Withhold future awards
- Designation as a high-risk institution
- Special monitoring & corrective action plans
- Personal Liability
- Criminal Prosecution

2009

Hot Topics in Financial Compliance

- Effort Reporting
- Unallowable & Restricted Costs
- Cost Transfers
- Subrecipient Monitoring
- Cost Sharing

Effort Reporting

- A-21 requirement
- Semi-annual confirmation of expenses
 - Salaries charged reasonably reflect work effort on the project
 - Cost share effort commitments
 - Other direct costs
 - PI not absent for more than 3 months or more than a 25% reduction of effort on the project
- Reconfirm if cost transfers are processed after report submission

Allowable Costs

- Reasonable
- Allocable
- Consistently treated
- Conformance to A-21

Unallowable & Restricted Cost Categories

Costs with “Issues”

- Salaries of administrative and clerical staff
 - Specifically budgeted
 - Meet one of five criteria outlined in A-21
- General office supplies
- Postage
- Memberships

Unallowable & Restricted Cost Categories

Costs with “Issues” (cont’d)

- Entertainment / Business Meals
- Travel
 - Use U.S. flag air carriers
 - Foreign travel may require prior sponsor approval
- General purpose equipment

Unallowable & Restricted Cost Categories

Costs with “Issues” (cont’d)

- Telecommunications
 - Phone lines must be specifically dedicated and budgeted
 - Cell phone usage requires prior written approval from sponsor

Cost Transfers

- Transfer of expenditures to a sponsored project fund that were initially posted elsewhere
- The sponsor expects that costs are charged appropriately at the time incurred and that significant adjustments should NOT be required if adequate financial management practices exist

Cost Transfers Timing and Justification

- Initiate promptly
 - non-current transfers are a red flag to auditors, indicating insufficient monitoring by responsible party
- Explain why transfer is necessary
- Document the benefit to the project
- Obtain approval from PI when required
 - submit a signed form GC81 for non-current transfers and other cost reallocations

Inappropriate Cost Transfers

Costs may NOT be shifted to other sponsored agreements . . .

- In order to meet deficiencies caused by cost overruns
- To avoid restrictions
- For other reasons of convenience

Subrecipient Monitoring

- Process invoices in a timely manner
- PI / Unit reviews and approves invoice charges
- PI monitors performance of subrecipient
- PI communicates performance issues to Unit and GCO for resolution
- GCO ensures compliance with A-133 audit requirements

Cost Sharing

Definition: Project costs not borne by sponsor

- Necessary and reasonable for project objective
- Allowable under the applicable cost principles
- Not used for any other cost sharing contribution
- Source of funding is not from federal dollars for cost-sharing on a federal project
- Documented and verifiable (for audit/review)

Cost Sharing – cont'd

- Mandatory – required by the sponsor
- Committed – not required by sponsor but was included in the budget or budget narrative
- Incurred within the project period of performance
- Contributed effort is documented in the Activity Reporting System (ARS)

Cost Sharing – cont'd

- Unit monitors proposed and actual effort commitment, charged either directly (salary) or indirectly (cost share), for all funding sources
- Contributed Effort is included in the Semi-Annual Confirmations and is captured in ARS
- Hard match (non-salary) is tracked in separate Banner fund or program code

Workshop Summary

Discussed:

- Elements of award administration affecting the closeout process, including award deadlines, restrictions and special requirements
- Roles and responsibilities of GCO, Unit and PI and the need to collaborate
- Compliance framework and issues

Questions?

Helpful Links

Federal OMB Circulars

- A-21

http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

- A-110

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

- A-133

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Federal Demonstration Partnership (FDP)

<http://www.thefdp.org/>

OBFS Policies and Procedures

<http://www.obfs.uillinois.edu/manual/index.html>

- Section 16.1.1 - Requirements of Cost Principles for Educational Institutions (OMB Circular A-21)
- Section 16.1.2 - Cost Transfers
- Section 16.1.3 - Compensation for Personal Services Charged to Sponsored Projects
- Section 16.1.4 - Equipment, Equipment Leases, and Expendable Supplies
- Section 16.1.5 - Sponsored Projects Administration