EMF AWARD CLOSE PROCESS

Jim Corkill, Controller
Tyler Clark, Manager, Extramural Funds Accounting
WELCOME to BFS Mini Tune-ups

OBJECTIVE:
Online meetings to provide campus staff with a high level perspective and information on both topics of interest and new/upcoming initiatives and policy updates.

PRINCIPLES:
• Sessions are conducted via Zoom and will last no longer than 30 minutes
• Participants will be muted during the session
• Chat questions can be submitted but priority will be given to questions submitted ahead of time at www.bfs.ucsb.edu/coaching
• The Mini Tune-up website will be updated with session details and information
Electronic Closing Notices

Principal Investigators begin receiving auto-generated emails (ADVANCED NOTICES) as the award’s END DATE begins to approach. In Regards to Award’s END DATE:

- The End Date is based on the End Date posted in UCSB’s Chart of Accounts.
- The End Date is only the increment of the award that has been “officially awarded” by UCSB’s Sponsored Projects Office and EMF.
  - The End Date is not based on “Projected Future Funding” increments of the same award. For example, with NIH awards, the award may be for 5 years, but they only officially award 1 year at a time. The END DATE in UCSB’s Chart of Accounts is not updated (pushed forward) until the next increment/continuation is officially awarded.
- Because of the scenario just described, PIs sometimes receive auto-generated emails for awards that are not really ending due to timing differences. In cases like this, they can ignore the email since they are expecting another continuation of the same award.
Electronic Closing Notices

Principal Investigators will continue to receive auto-generated emails (FIRST, SECOND, and THIRD NOTICES) as the award’s END DATE passes. These notices continue to alert them that their award has ended and that they need to coordinate with the award’s departmental C&G Administrators for award close out.

- The award’s departmental C&G Administrators should also be tracking their awards and be aware of the awards that are nearing their End Dates.
- The award’s departmental C&G Administrators should begin reaching out to the Principal Investigators as the End Date nears to alert them and also to communicate internal closing procedures to them.
  - The time to begin wrapping up loose ends such as completing cost transfers, submitting travel vouchers, invoices, etc. is not the month the close memo is due to accounting.
  - Coordination with the Principal Investigators for pending items and final closing issues should begin before the award ends so that you’re both on the same page.
Summary of types of auto-generated email Closing Notices sent to Principal Investigators:

- **Advanced Notice** - Two ledger cycles (2 months) prior to the end date.
- **First Notice** - Subsequent to the end date.
- **Second Notice** - One ledger cycle (1 month) subsequent to the end date.
- **Third Notice** - Three ledger cycles which is about 90+ days after the end date of the award. Notices continue until the close memo is received.

A close memo, no cost extension, or additional funding will stop the electronic notifications.
The University’s external auditors require the Accounting Office to certify that financial reports submitted to agencies for all contract and grants are filed on a timely basis and are supported by the general ledger.

OMB Uniform Guidance dictates that a final financial report be submitted within 90 days* from the end date of a contract or grant. The University’s status with funding agencies may be jeopardized when financial reports are submitted after the required filing deadlines. In addition, audit findings for failure to submit financial reports within the specified time frame can put the University at risk of the imposition of remedial action. Such actions can include the withholding of award(s) to an investigator or the entire University, the withholding of payments on outstanding invoices, and/or the revocation of the Expanded Authorities Agreement. For example, included but not limited to, the ability for grantee to approve pre-award costs, approve first no-cost extensions, and carry-forward unobligated balances unless specifically required by a federal agency.

Compliance with Federal and Local requirements is critical to the University’s continued participation in contract and grant programs.

*Certain awards may have different reporting requirements. - See Next Slide
EMF Award Closing Process

Exceptions to the 90 Day Deadline:

• **Non-federal Awards** – Varies. Check award documents. If not specifically stated, UCSB follows the Federal 90 Day Deadline for Final Financial Reports and Final Invoices.

• **Federal-flow Through Awards** - Close 30 days from the end date.

• **Intercampus Awards** – Close 60 days from the end date unless the Multiple Campus Agreement (MCA) indicates 30 or 45 day. Check award documents.

• **Other**: Awards may specify a different close period (e.g., award closeout required within 45 days of end date) – UC SeaGrants for example.
EMF Award Closing Process - Reviewing General Ledger Expenses

There are 3 types of expense categories that need to be reviewed at closeout:

A review of the General Ledger for each award Account-Fund is required to make sure that certain types of expenses are handled appropriately and addressed at award close.

1. **Unallowable** Expenses

2. **Typically F&A** Expenses

3. **Requires PI Justification** Expenses
EMF Award Closing Process - Reviewing General Ledger Expenses

Helpful Reports to Run in Data Warehouse to Assist with GL Expense Review

For DW EZ Access Users:

EZ Access Main Menu

- Accounts Payable
- Chart of Accounts
- Employee
- Equipment Inventory
- General Ledger
- Payroll Ledger
- Permanent Budget
- Signature Authorization
- Sponsored Projects
- Extramural Close Out
- KK Sub-Agreement
- Unallowable and Typically F & A Object Codes
- Staff Lookup
- Staffing
- Tools
EMF Award Closing Process - Reviewing General Ledger Expenses

Helpful Reports to Run in Data Warehouse to Assist with GL Expense Review

For DW Hyperion Users:
# Close-Out Summary of Charges That May Need Further Review

**NSF 1240075 BIANCHINI 02/18**

**442100-22046**

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## Unallowable

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## Typically F & A Costs

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## Reasonableness Charges

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### Definitions for Object Code Categories

**Unallowable Costs**
These should not be charged to Contracts and Grants.

**Typically F&A Costs**
F&A costs can only be charged as a direct expense to a sponsored project when there is an unusual or unique circumstance, and the amount of the charge is significant. Most F&A charges are covered by the campus overhead and should therefore not be charged to a sponsored project. A written and signed justification from the department head is required before the cost can be charged. If the justification is approved, the costs are charged to the departmental overhead rather than the sponsored project. General statements do not satisfy this requirement. If there is an acceptable justification, the department head needs to indicate in the cost memo packet that they submit as to how unused funds will need to be moved while charges to a lump sum, by object code, to an existing research account number linked to unrestricted funds. The cost transfer will include a reference to the grant account number and the target research account number will need to be funded by the department. The amount transferred to the research account will only be the direct cost portion. This process will be coordinated between the department head and the department.

**PI Justification Costs**
Different than Typically F&A, PI justifications are required at award close for these types of charges. For example, a membership—Object Code 7220: membership fees are a direct cost item at the time a contract or grant proposal is prepared. An honorarium is a payment to an individual in recognition of a special or distinguished service for which properly predates setting a fixed price. Activities include a lecture, concert, participation in a workshop or seminar, speaking engagement, or appearance at a manuscript for professional publication.

**Membership/Subscriptions—Object Code 7220:** Costs for memberships in technical, and professional organizations are treated as indirect costs. An individual membership to a technical or professional group may be allowed as a direct charge to a contract or grant if one of the following can be demonstrated:

1. The membership creates a continuing service for the research results specific to the project.
2. The membership creates a continuing service to the project that will be presented or for which membership is mandatory order to present research results specific to the project.

**Reasonable Charges**
These charges should normally be a line item in the budget and not accounting. The auditor may request backup or more information from the accounting department at award close. For example:

1. Service of Equipment (7250): would be questioned if the award only had salaries and benefits, or had no equipment in the budget. An itemized list of equipment charges (7210, 7219, 7217) must be separately identified in the approved budget from the sponsoring agency.

2. For Consultants (7223), Grantees are normally expected to invoice the services of their own officers or employees to the maximum extent on managing and performing the award. Where it is necessary for a grantee to enter into services of its employees or employees who are expected to do so in accordance with written organizational agreements.

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### Totals by Object Code Category

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### Totals by Object Code

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<td></td>
<td></td>
<td>170,424.74</td>
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</table>
Unallowable Expenses

These types of expenses should not be charged to contracts & grants and should be moved off:

Object Codes for Unallowable Costs

- 7700 – Fines and Penalties
- 7710 – Donations and Contributions
- 7720 – Memberships/Subscriptions
- 7730 – Advertising
- 7740 – Medical/Health Care Payments
- 7750 – Social Activity – Entertainment
- 7751 – Non-Cash Awards/Gifts
- 7755 – Commencement & Convocation Costs
- 7780 – Attorneys/Legal Proceedings
EMF Award Closing Process - Reviewing General Ledger Expenses

Typically F&A Charges
For a complete listing of Typically F&A Charges (2 different links):
https://www.bfs.ucsb.edu/extramural-funds/awards(typically-fa-unallowables-object-codes

Most F&A charges are covered by the campus overhead allocation and should therefore not be directly charged to a sponsored project.
F&A costs can only be charged as a direct expense to a sponsored project when there is an unusual or unique circumstance, and the amount of the charge is significant. A written and signed justification from the principal investigator must be included with the close memo if F&A costs are to be charged to a sponsored project. If there is no written justification, EMF will move these charges as a lump sum, by object code, to an existing research account number linked to unrestricted funds. The amount transferred to the research account will only be the direct cost portion. The department needs to provide EMF (with the submitted Close Memo) an unrestricted fund source to move any F&A charges to that are not properly justified.
EMF Award Closing Process  - Reviewing General Ledger Expenses

**PI Justification Costs** (Different than Typically F&A Costs)

PI justification is required at award close for these types of charges.

For example:

**Honorarium** — *(Object Code 7900)* payments generally are not allowable charges to federal funds unless a contract or grant specifically authorizes such payments. Honorarium payments should be specified as direct cost items at the time a contract or grant proposal is prepared. An honorarium is a payment to an individual in recognition of a special or distinguished service for which propriety precludes setting a fixed price. Activities include a lecture, concert, participation in a workshop or seminar, speaking engagement, or appraisal of a manuscript for professional publication.

**Memberships/Subscriptions** — *(Object Code 7220)*

Costs for memberships in technical, and professional organizations are treated as indirect costs. An individual membership to a technical or professional group may be allowed as a direct charge to a contract or grant if one of the following can be demonstrated:

1. The membership creates a cost-savings to attend a conference at which research results specific to the project will be presented or for which membership is mandatory in order to present research results specific to the project.
2. The sole purpose of the membership is to purchase a periodical at a reduced rate, the periodical is not available through the institution’s library services, and the periodical is necessary for the sponsored project.

The budget narrative should clearly indicate how the membership costs meet one of the above requirements.
EMF Award Closing Process - Reviewing General Ledger Expenses

PI Justification Costs (Different than Typically F&A Costs)

Continued:

These are charges that are sometimes allowable to C&G awards, but other times not allowed (depending on the individual situation) and require PI justification. Written PI justification must be included with the submitted Close Memo to EMF or it will be returned as incomplete.

- 7220 Memberships / Subscriptions
- 7224 Temporary Services
- 7225 Permits-Fees-Taxes
- 7900 Honoraria
- 8130 Office Furniture
EMF Award Closing Process - Reviewing General Ledger Expenses

Reasonable Object Code Listings

• Should normally be a line item in the budget and EMF accounting may request backup or more information at award close.

• Should be a reasonable charge for that particular award.

• For example a charge for Service of Equipment (7260) would be questioned if the award only had salaries and benefits or had no equipment in it's budget.

• Object Codes for Participant Support charges (2015, 7215-17) must be separately identified in the approved budget from the sponsoring agency.
Reasonable Object Code Listings (Continued)

Object Codes that may be questioned by EMF at award close for reasonableness:

- 2015 Participant Support - Travel
- 5100 Off Campus Rental
- 7215 Participant Support – General
- 7216 Participant Support – Undergrad
- 7217 Participant Support – Facilitators
- 7223 Payments to Human Subjects
- 7230 Advertising, Federal Charged
- 7235 Consultants
- 7240 Performance Fees
- 7260 Service of Equipment
- 7275 Insurance
A UCSB Close Memo must be prepared by the department administering the award. The close memo must be **signed by the principal investigator** and **received by Extramural Funds (EMF) accounting no later than two weeks prior to the deadline required to submit the final financial report and/or final invoice:**

For example, if the award End Date is 3/31/18 and all closing documents are due to the sponsoring agency no later than 90 days past the end date, then the close memo must be received by EMF accounting no later than 6/15/18).

Failure by the administering department to timely submit a close memo to EMF accounting will result in the administering department becoming liable for any payments denied by the sponsoring agency due to late submission of required closing documents by the accounting office.
Certification Clause:
The Principal Investigator must sign a certification clause certifying that all costs are appropriate and allowable. Extramural Fund Accounting (EMF) has created a standard “Closing Memo” template that you can download here.

Departments can create their own close memo with the following certification included:

“I have reviewed the grant/contract and certify all expenditures are appropriate and allowable.”

Close memos will only be accepted if the certification clause contains the exact wording as provided above.
EMF Award Closing Procedures – CLOSE MEMO

Departments Preparing Close Memo will fill in the following information first:

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<th>BUSINESS &amp; FINANCIAL SERVICES</th>
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<td>From: YOUR NAME</td>
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<td>Dept: YOUR DEPARTMENT'S NAME</td>
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**RE: CLOSE MEMO**

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EMF Award Closing Procedures – CLOSE MEMO Pending Expenses

Enter any PENDING expenses that have yet to hit the most current ledger available

I have determined the following adjustments:

(PLEASE ATTACH COPIES OF DOCUMENTATION FOR OUTSTANDING CHARGES.)

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<tr>
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<td>100.00</td>
<td>5,000.00</td>
<td>200.00</td>
<td>-25.00</td>
<td>68,000.00</td>
<td>93.62</td>
<td>73,268.62</td>
</tr>
</tbody>
</table>
Pending Expenses (Continued)

- Departments must indicate outstanding charges to be included in the close memo as demonstrated in the example on the previous page.

- All outstanding charges in the close memo must have supporting documentation attached to the Close Memo.

- Supporting documentation may include: copies (not originals) of Travel Expense Vouchers, A/P vendor invoices, UPAYs (payroll transfers), non-payroll transfers (TOE copies, UFIN 120s), financial journals, etc.
EMF Award Closing Process – Final Closing Numbers

Use the most current General Ledger Available to Complete the Final Closing Number Section of Close Memo:

In the example below, the most current ledger available is from March 2018. In the far right you would fill in the 3/31/18 date. If the March 2018 General Ledger is indicating that the Account-Fund’s total unspent amount (Total Appropriations LESS Total Expenses) is $75,590.00, that is what you will fill in for the Total unspent balance. Make sure to NOT include Encumbrances on the ledger in recording the Total unspent balance number! The Less outstanding costs number is automatically brought forward from the Pending Expenses section ($73,268.62), and the final total is automatically calculated. $2,321.38 represents the final unspent amount of this award’s particular Account-Fund.

<table>
<thead>
<tr>
<th>Total unspent balance:</th>
<th>$75,590.00</th>
<th>from general ledger dated: 3/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less outstanding costs:</td>
<td>$73,268.62</td>
<td>(*Should be the same amount.)</td>
</tr>
<tr>
<td>Total amount</td>
<td>$2,321.38</td>
<td>to be returned to the agency.</td>
</tr>
</tbody>
</table>
EMF Award Closing Process – Close Memo Preparer Information & PI Certification

- Close Memo Preparer fills in their name & the 4 digit campus phone extension
- Principal Investigator signs his name and dates the form

I have reviewed the above grant/contract and certify all expenditures are appropriate and allowable.

Prepared by: YOUR NAME
Principal Investigator: PI (signature)
EMF Award Closing Process - Project Contribution Reports

Project Contribution Reports (PCRs)
Department must make sure that all required Project Contribution Reports have been returned to EMF Accounting. If not, FINAL PCR must be submitted with Close Memo. EMF cannot close an award if the required Project Contribution dollar amounts for that award have not been met!

- All required Project Contribution must be reported on PCRs, which are emailed by EMF to departments every year for completion.
- Departments are to complete the PCRs, have them signed by the PIs, and returned to EMF with all appropriate backup documentation.
  - Your Department is the official Office of Record and should have all necessary backup required in case of audit to be able to substantiate the totals reported to auditors as they request.
EMF Award Closing Process - Encumbrance Releases

Departments should request that any **Encumbrances** remaining on the General Ledger be released by contacting BFS Accounts Payable.

EMF is not able to release **Encumbrances** at Award Close. This must be done by Accounts Payable.

If there is remaining (or incorrect) **Encumbrance** amount remaining on the General Ledger in Sub 7 (Subcontracts) that will not be taken care of by a pending Final Invoice being paid to that subcontractor(s), please contact Lakshmie Ediriwickrama (lediriwickrama@bfs.ucsb.edu) in Accounts Payable at BFS and ask her to clear the remaining lien in Sub 7. Please provide her with Account-Fund-Sub-Object Code # and KK # and dollar amount of remaining lien.
Closeouts must happen timely and should begin as the award is winding down – NOT the month the CLOSE MEMO is due to EMF.

- The award’s departmental C&G Administrators should be tracking their awards and be aware of the awards that are nearing their End Dates.
- The award’s departmental C&G Administrators should begin reaching out to the Principal Investigators as the End Date nears to alert them and also to communicate internal closing procedures to them.
  - The time to begin wrapping up loose ends such as completing cost transfers, submitting travel vouchers, invoices, etc. is not the month the close memo is due to accounting.
  - Coordination with the Principal Investigators for pending items and final closing issues should begin before the award ends so that you’re both on the same page.
EMF Award Closing Process – Final Thoughts & Review

Closeouts must happen timely and should begin as the award is winding down – NOT the month the CLOSE MEMO is due to EMF.

It is imperative that any pending items not on the current ledger make it onto the ledger as quickly as possible. Per OMB Uniform Guidance, all expenses must be liquidated (paid and on the ledger) within 90 days after the end date. For final invoicing / draw purposes, EMF cannot request the final payment until pending items hit the ledger, so everything must be on the ledger within 90 days after the award end date.
Closeouts must happen timely and should begin as the award is winding down – NOT the month the CLOSE MEMO is due to EMF.

- EMF cannot close an award until it has received a complete and properly prepared Close Memo from the award’s administering department!

- If the award has required Project Contribution to meet, EMF cannot close an award until it has received complete and properly prepared Project Contribution Reports from the award’s administering department that show the required Project Contribution dollar threshold has been met!
EMF Award Closing Process – Final Thoughts & Review (continued)

- If EMF cannot close an award, it is not able to prepare the awards **Final Financial Report**.
- If EMF cannot close an award, it is not able to prepare the awards **Final Invoice**.
- Submitting the Final Financial Report or the Final Invoice late puts the University at extreme risk of not being paid and for sanctions in audit, which puts the entire University at risk.
- Any disallowances or non-payments due to lateness of properly completed Close Memos or Project Contribution Reports being received by EMF from the administering department will fall on the award’s administering department to cover with unrestricted fund sources.
Questions & Answers
Q: What is the limit for the dollar amount that EMF will cover if a project is in overdraft? I know I've submitted close memos for -$0.03 and EMF covers this, but I'm not sure to what amount EMF would cover.

A: There is no specified dollar amount limit. Departments should make every attempt to clear the overdrafts to a $0 balance. We do realize that sometimes it's difficult to estimate benefits on UPAYs (payroll cost transfers) at the end of an award, so immaterial amounts can be covered in circumstances like that, depending on the situation at hand. At the same time it's not a given, and EMF will look at the situation on a case-by-case basis. As previously stated, “Departments should make every attempt to clear the overdrafts to a $0 balance.”
Q: What if an object code is incorrect and that is triggering classification as unallowable? How should this be addressed at close?

A: If the charge was miscoded with an incorrect object code on the General Ledger and it’s generating an object code that needs to be addressed at award close with the Close Memo, please make a note of the object code charge(s) and let us know what the charge’s object code really should be. Please provide the backup of the charge along with your explanation (such as the invoice copy, Form 5 copy, etc). EMF will then do a journal to correct the object code to the right object code at award close.
Presenter Contact Information:

Tyler Clark
Tyler.clark@bfs.ucsb.edu
805-893-3068
CLOSING - BFS Mini Tune-ups

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Thank You!

WRAP UP