June 2014 COGR Meeting Friday Morning Presentation - Luther

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NIH SubAccounting and Closeout Enforcement

(and the Impact of the Uniform Guidance)

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June 13, 2014
Agenda

- **Background**
  - NIH SubAccounting
  - Closeout Enforcement - 90 days
    - NIH, NSF, HRSA….etc. etc.
    - The UG

- **Update**
  - Recent Enforcement
  - Recent Discussion

- **Duke University’s Approach**
  - Preparation for SubAccount Transition and Enforcement of Reporting Deadlines
Closeout, Final Reporting, Cash Draw Process & SubAcct Integration

(1) The Catalyst
GAO Report

(2) The Guidance
UG: Reports Due at 90 Days / Agencies have another 12 or will proceed to Unilateral Close (includes financial & programmatic)

(3) The Transparency
SubAcct Implementation

(4) The Enforcement
Recent Agency Enforcement

(5) The Cash
Agency & Payment Management Groups are/planning to enforce limitations on drawdowns 90 days after end-date.

Timely and Effective Closeout*

* Timely and Effective Closeout:
  - Safeguard sponsor and institutional funds
  - Accurate & compliant close that does not require revisions

NIH Quarterly Report
Background
The “Catalyst” and “Enforcement”

- GAO Report on Closeouts (July 2012)
    - GAO identified more than $794 million in funding remaining in expired grant accounts (accounts that were more than 3 months past the grant end date and had no activity for 9 months or more) in the Payment Management System (PMS)

- NIH Domestic Awards to Transition to Payment Management System Subaccounts in FY 2014 (9/3/13) - NIH Notice NOT-OD-13-112
    - NIH would transition to SubAcct reporting starting on 10/1/13 (this was subsequently delayed to 10/1/14 by Notice 13-120)
    - Final reports are due 90 days after end-date
    - PMS “will now hold payment requests for funds in subaccounts for awards that are 90 days or more beyond the project period end date”
The “Catalyst” and “Enforcement” (continued)

- NIH Domestic Awards to Transition to Payment Management System Subaccounts in FY 2014 and FY 2015 (September 26, 2013)
  - Transition to SubAcct reporting (initially conveyed via 13-112) would be delayed until 10/1/14

- NIH Updating Grant Closeout Policies and Procedures to Align with New HHS Requirements (April 24, 2014)
  - [Link](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-084.html)
  - All reports required for closeout must be submitted no later than 90 days after the project end date.
  - Clarifies when Agency can proceed to a **unilateral closeout** if the grantee is non-communicative
  - Includes FAQ’s to clarify aspects of the Notice [Link](http://grants.nih.gov/grants/closeout/faq_grants_closeout.htm)
The “Catalyst” and “Enforcement” (continued)

- Administrative Changes to NIH Domestic Awards
  Transition to Payment Management System Subaccounts - NOT-OD-14-093 - May 16, 2014
  - Implementation for domestic, non-competing awards will occur between October 1, 2014 and September 30, 2015.
  - **Unliquidated Obligations on the Subaccount Transitional FFR:** if there are unliquidated obligations at the end of the first "administratively shortened" competitive segment, these may be reported on the subaccount transitional FFR expenditure data report.
  - NIH continues to seek some relief from the DHHS by requesting an additional year for grantees to have adequate time for system developments necessary to manage this transition for non-competing awards.
Uniform Guidance: § 200.343 Closeout

(a) The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity.

(b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

(g) The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.
SubAcct Reporting – What Does This Mean?

1. **Transition**: Significant workload increase for departments and central offices during transition

2. **Steady State**: Significant IT and Business Process investment required for future steady state
SubAcct Reporting – What Does This Mean?

1. **Transition**: Significant workload increase for departments and central offices during transition

   - **FFR Volume**: 30 – 40% increase in annual FFR volume (impacts central office & department)

   - **SubAward Management**: Possible requirement to terminate and reissue all incoming and outgoing subaward agreement to support interim “final” invoice

   - **Set up of new master data and project codes**: Transition to new codes & Guidance on booking charges during transition

   - Will require changing funding sources, including Purchasing documents, Payroll, Standing Orders, P-card, Travel, etc.
2. **Steady State**: IT and Business Process investment required for future steady state

- New business process in central offices and IT resources needed to support code-by-code draw (and pooled draw during transition) and associated reconciliation of revenue posting
- Central Office will likely need to increase frequency of draw (potentially to daily to support 90 Day Issue)
- May need new master data fields in IT system
- May need new departmental and management reports to support all of the above
Bottom-Line

- Additional **short term** and **ongoing** resources likely required
- Reallocation of IT resources likely required immediately (or will require manual processing)
- Operational disruption likely in departments and in central offices

SubAccounting Provides Agencies and Cash Mngt Offices the Transparency to Enforce the 90 Day Reporting Deadline
Joint FDP/COGR/Federal Partners Meeting
April 14, 2014

See COGR.edu for White Paper
Resource workload management:

Universities are staffed to manage steady-state / “Peak” issues can occur between pre and post & at common project end dates

Subrecipient monitoring responsibilities

Invoices due at day 60 (per FDP template) could easily require more than an additional 30 days to address administrative/financial subrecipient monitoring issues

Complex Grants

Complex grants often have multiple internal and external subawards that the prime recipient will need to manage/coordinate and oversee in day 60 – 90.
Subagreement Management

- International invoice management (coordination, receipt, reconciliation)
- Some invoicing is complex and is tied to milestones/other data points

If there is not adequate time, the unintentional outcomes could include:

- Shortening of period of performance
- Universities may have to select research partners more based on their ability to bill timely than quality of science

Ledger management for closing and payroll posting

- Timing of ledger closing processes (e.g. payroll and month-end) will mean that IT adjustments will need to be made either in closeout process or in expanding functionality of reporting;
Potential Impact

- FFR (Poor quality and Increased need for Revised FFR’s)
- Loss of revenue
- Research: shortened period of performance, more faculty burden, not selecting a sub based on best research (but ability to bill with 60 days)

Technology

- Change their current LOC process from several times/month to daily; this has implications for both IT resourcing as well as staffing in the central office
- Create workflow systems to route closeout docs, review FFRs, etc. With a tight timeframe of 90 days, universities will be hard-pressed to have adequate time to route via a paper process…
Alternatives to Consider:

- Work with agencies to either extend closeout to 180 days or develop a consistent way for institutions to request deviations in a non-punitive/non-burdensome manner that is clear to external and internal auditors and doesn’t result in audit findings. “Extending Closeout” includes both financial reporting and drawdown of cash.

- Ensure that agencies are harmonized in their application of deadlines for reporting and cash-draw process.

- Work with FDP Sub Award group to determine if the standard terms needed to be adjusted to support any change.

- Consider the timing of implementation of this requirement to allow institutions adequate time to make necessary technology, policy, business process, and resource changes as it will likely be significant.
Update
Other Agency/Peer Enforcement

1. NSF - Post Award Adjustment - Sample
   “Your university was temporarily given a post award adjustment for a past award. However, the Division of Institution and Award Support (DIAS) is responsible for making the final determination as whether these adjustments should be permanently allowed. Please read the memorandum attached and forward all supporting documents for the post award adjustment back to me no later than…

2. HRSA - Conference Call (May 28, 2014)
   “Finally, I want to stress that FFRs submitted late or not submitted at all can and will have a negative effect on your future funding…. If you’re not in compliance, HRSA may take an adverse action which can include drawdown restrictions, withholding continuous awards…If you are delinquent on your FCTR to PMS, you will be restricted from drawing funds until you come into compliance.

3. Peer Universities – Enforcement of FDP Sub Agreement Template
Recent Discussion

- **Pressure Continues**
  - SubAcctg implementation is continuing
  - Timely Closeouts: Financial and Programmatic
  - Timely cash draws

- **But:**
  - Agencies do have flexibility to extend deadlines for reporting (per UG)
  - Agencies understand the difficulty in us complying
  - Agency enforcement creates issues for them as well

- **And:**
  - COGR is discussing options about addressing the 90 day requirement in the UG
  - FDP is working with agency partners on multiple related initiatives
  - NIH is entertaining flexibility:
    - NIH SubAcct transition (FFR requirements)
    - Potentially allowing extensions to the 90 days for “classes” of grants
    - Still advocating with DHHS to request another one year extension
Duke University

Preparation for SubAccount Transition and Enforcement of Reporting Deadlines
Risk is Three-fold

- Compliance with Enforcement of Regulations
- Financial loss if not permitted to draw additional funds (if untimely)
- Business Disruption within the departments and central offices
Duke University - Preparation

- Conduct “Readiness” analysis of upcoming end-dates (big months: March, April, June, May)
- Evaluate potential risk of late expenditure posting
  - Determine if internal business process and policies need to be revised.
  - Determine what IT resources/changes might be required to support above
- Evaluate impact on training & education (faculty and staff)
- Create Project Team (mixture of new staff, departments, & central offices)

Considerations: Lead time for changes, PI Irritation / Departmental disruption
RACI EC

SOM Leadership Group
(Issue Vetting, Implementation Strategy/Oversight)

SOM Functional Leads:
(Functional Design)
(Process/Policy)

Steering Committee
Project management oversight
Decision making
Coordination between Functional Design and Policy/Process/Implementation Teams

Campus Leadership Group
(Issue Vetting, Implementation Strategy/Oversight)

Campus Functional Leads:

Senior Leadership Advisory Group (meets every 3-4 weeks)

Technical Design
Project Manager, Central & Dept Reps

Policy/Process/Implementation*
Project Manager, Central & Dept Reps

Implementation Team
(SOM/Campus)
Communication, Training, & Rollout

Departmental Advisory Group – “Reconstituted BPT” - (meets every 2-3 weeks)

*Additional discussion required related to faculty role in policy development
Duke University - Preparation

- Policy / Processes
  - Role of Parent on Closeout
  - Revised FFR Policy
  - Cost Transfer policy
  - Peer Invoicing – Communication of Enforcement?
  - Internal Billing – Communication of Enforcement
  - Procurement Terms and Conditions / Late invoicing
  - NCE Management
  - Closeout Process

- Technology
  - Sponsored Programs Billing & Reporting Database
  - Improved LOC Draw process
  - Tracking of Programmatic and Administrative Reports
  - Management Reporting

Objective: Eliminate the barriers that contribute to late closeouts
Prioritization of Barriers to Timely Closeout

Circle size indicates magnitude of effort

A Policy 1
B Policy 2
C Policy 3
D Procedure Change 1
E Procedure Change 2
F Procedure Change 3
G Communication 1
H Policy 4
I Policy 5
J Policy 6
K Policy 7
L Tech 1
M Tech 2
N Tech 3
O Tech 4
P Tech 5
Q Tech 6
R Tech 7
S Tech 8
T Communication 2
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<th>DA</th>
<th>BusMgr/Other</th>
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<td>1st: summary of all GMs' messages</td>
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<td>PROJECT END DATE</td>
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Questions