The Uniform Guidance Workshop: Module II

Module 1 Review – Pre-Award
- Sponsor updates
- Proposal preparation
- Case presentation

Module 2 Overview – Post-Award
- Background on Uniform Guidance
- Case introduction
- Review of award financials
- Quarterly PI review
- Financial closeout
- Procurement

Project Lifecycle

BACKGROUND
Regulations & Administration

- Most research-related administrative activities are subject to federal regulations
- The University’s central administrative units establish policies, processes, and controls to make sure that activities governed by those units comply with any/all related federal regulations
- These policies, processes, and controls are applied to both federal and non-federal sponsored projects

University Policies

- University Policies Related to Sponsored Project Financial Management can be found in the Administrative Policy Library:
  - http://www.columbia.edu/cu/administration/policylibrary/

University Policies include:

- PI Responsibilities for Financial Oversight
- Monitoring and Reconciling Sponsored Project Accounts
- Charging Clerical and Admin Salaries
- Cost Transfers
- Financial Reporting and Closeout of Sponsored Projects
- Charging Other Admin Expenses
- Cost Sharing
- Effort Reporting
- Equipment
- Sponsored Project Subawards (Subcontracts)
- Unallowable Costs

Non-Federal Sponsors

- Why are non-federal sponsored projects subject to federal-oriented internal controls and processes?
  - Many non-federal sponsors adopt federal regulations as their own
  - Non-federal sponsors expect the same caliber of stewardship of their funds
  - It is operationally challenging to establish and maintain different controls and processes for the various sponsor types across the University’s vast and varied research portfolio
  - Federal cost principles require costs charged to federal projects to be “consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the … entity”

About the Uniform Guidance

- The UG consolidates 8 different “circulars,” or policy documents, issued by the White House Office of Management and Budget
- Went into effect on 12/26/2014
- Applies to all federal sponsored grants and cooperative agreements awarded after 12/26/2014
  - Or those which have received additional funding increments after this date
  - Contracts are subject to the Federal Acquisition Regulations (FAR), uniform policies applicable to contracts whose content is referred to as the “FAR clauses”

CASE INTRODUCTION
Case

• To illustrate the interplay between federal regulations and University processes & policies on a realistic sponsored project, we will refer to the following “case” throughout today’s presentation.

Case Details

• Award number: 5 R01 MH012345
• Sponsor: National Institutes of Health, Institute of Mental Health
• Principal Investigator: Sigmund Freud
• Title: Effects of Regulatory Changes on Mental Health of Research Administrators
• Award start date: 1/1/2015
• Award end date: 12/31/2019
• Total award budget: $500,000
• Not subject to SNAP
• Financial reporting: required annually
• Technical/scientific report: required annually
• Funding mechanism: letter of credit

Increased Focus on PI Financial Responsibility

• Federal regulation has long identified the PI as having primary financial and oversight responsibility for the management of federal awards.
• We are facing increased focus on this dimension, and want to be prepared to demonstrate our PI’s commitment and fulfillment of this responsibility.

Uniform Guidance & Financial Review

• Clear directive that an institution needs to "establish and maintain effective internal control over the Federal award".
• Guidance asserts that the control environment should be in compliance with frameworks used by federal and other external auditors.
• Monitoring is a key component of an effective control environment.
• All annual and final fiscal reports must include a certification, signed by an official who is authorized to legally bind the entity, which reads:
  • "By signing this [annual financial] report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the award."
• Consider on what basis SPF would be able to complete attestation.
• Increased focus on subrecipient monitoring.
• Monitoring of the subrecipient must include: Reviewing financial and programmatic reports.

Three Practical Implications

• Three progressive implications over the life of a project:
  1. Quarterly PI & DA review
  2. Annual DA (or grants administrator) confirmation that charges are appropriate
  3. PI and DA confirmation that charges are appropriate prior to closeout.
Practical Implications - Quarterly

1. Quarterly PI & DA review
   • More to come on this later on in the presentation
   • In short:
     • Suite of quarterly financial reports to be distributed each fiscal quarter end
     • Schools/Departments to maintain documentation

From inception, Quarterly PI & DA review Ʌ Annual DA confirmation Ʌ At Closeout, PI & DA confirmation

Practical Implications - Annually

2. Departmental (DA or grants administrator) confirmation that charges are accurate, were incurred in support of this research project, and comply with applicable terms and conditions prior to submission of annual reports
   • SPF will send an email in advance of report due date, or when a report is not due, at the anniversary of the project
   • Email response to Project Manager in SPF is sufficient

From inception, Quarterly PI & DA review Ʌ Annual DA confirmation Ʌ At Closeout, PI & DA confirmation

Practical Implications - Closeout

3. PI and DA confirmation that charges are accurate, were incurred in support of this research project, and comply with applicable terms and conditions prior to final report and closeout
   • SPF will send an email to PI and DA in advance of project closeout
   • Email response from PI and DA to Project Manager in SPF is sufficient

From inception, Quarterly PI & DA review Ʌ Annual DA confirmation Ʌ At Closeout, PI & DA confirmation

Quarterly Financial Review

• Again, it is a longstanding requirement that the Principal Investigator is responsible for all scientific and financial aspects of a project, including ensuring that all expenditures are reasonable, allocable and allowable to the project
• PI or Scope I with sponsored research funding (government grants, private grants, industry clinical trials) is expected to regularly review financial expenses charged to their active awards

Quarterly Financial Review

• New tools and processes to facilitate this and to ensure that, beginning with third quarter FY15 data (January through March of 2015), these reviews take place at least quarterly
Quarterly Financial Review

- To assist PIs and Scope Is with this quarterly financial review, the University has modified existing reports to include quarterly information
  - PI’s will receive an email indicating that the prior quarter’s reports have been published
  - Reports will be accessible via the existing Sponsored Project Financial Reports WebViewer
    - WebViewer developed in 2013 to deliver pre-run PDF reports electronically
    - Provides web-based direct access to sponsored project financial reports without having to go through the University’s financial reporting environment (Financial Data Store, or FDS)
    - Available to all PI’s with active GG, PG and IN projects
  - There is a job Aid for how to access sponsored project financial reports via the WebViewer
    - http://finance.columbia.edu/content/sponsored-project-report-webviewer

Quarterly Financial Review Webpage

http://finance.columbia.edu/content/quarterly-financial-review

- Quarterly suite of reports for each sponsored project or activity includes:
  - Cover sheet (project / activity details)
  - SPFR Summary
  - SPFR Detail
  - Payroll Summary
  - Payroll Detail
  - SAPO Budget vs. Encumbrance

Quarterly Financial Review

- Questions for a PI to consider as they review each project:
  - Do you agree with the level of actual expenditures by category on the project?
  - If an expenditure level does not look correct, or you do not have familiarity at the category level, have you reviewed the detail information (i.e. Payroll Detail Report)?
  - Are the salary and non-salary expenditures tracking as you would expect relative to the project budget?
  - Is the rate of spending on a sustainable path?
  - If the project includes subaward expenses, are you comfortable with the nature and level of the expenditures?
  - See the SAPO report

Quarterly Financial Review

- When a PI is uncertain about either total spending on an expenditure category or on the appropriateness of specific expenses, they are expected to convey those concerns to their administrator, who should investigate by locating vendor or subcontractor invoices, looking at salary distribution, etc.
  - Investigation of one quarter’s items of concern should conclude prior to the following fiscal quarter’s review
Quarterly Financial Review

- Quarterly Financial Review & Subrecipient monitoring
  - Subaward payments need to be reviewed with heightened focus
  - Payments to sub-awardees will be reflected on the SPFR Detail
  - Payments over the quarter should be commensurate with the scientific progress made during that quarter

Quarterly Monitoring of Effort

- Quarterly monitoring of expenditures does not replace quarterly monitoring of effort
- CU Policy has long required self-certifiers and PIs to monitor effort distributions for themselves and their research staff at least quarterly in ECRT
- Monitoring of effort allocations must occur before or concurrent with review of project expenditures
- Effort coordinators can provide PIs a report from ECRT that shows salary allocation for all personnel in the EC’s department who are on the PI’s projects
  - See ECRT User Guide for more information

Monitoring of Effort

- Percent effort must reasonably reflect work performed
- Adjustments must be processed if any of the following are identified at any point in the year:
  - Long-term changes in effort from original estimates
  - Errors, such as misallocated salary or missing projects
  - Missing mandatory cost sharing
- Effort coordinators process necessary cost transfers or salary adjustments, subject to the 90-day rule
- Short-term fluctuations of effort (one or two months) do not require adjustments as long as the distribution of salary is reasonable over the longer term

FINANCIAL CLOSEOUT

Closeout Process

- Closeout is the final phase in the lifecycle of a sponsored award, and presents the University with its last opportunity to ensure that all contractual and fiduciary obligations have been met
- The process begins when SPF identifies an ARC project with approaching end date

Project Setup – A refresher

- ARC project end dates often represent the end of a budget period, at which point a financial report is often due to the sponsor
- When project and activity end dates are extended, their closeout processes are suspended
- It’s important to understand how project setup, an earlier phase in the research lifecycle, drives project closeout
Project Setup – A refresher

• Some awards are setup with one project and one activity representing the duration of the award period
  • For example: an NIH SNAP award will have one project and one activity for the entirety of a competitive segment, typically 5 years
    * Unless there is a financial or scientific reason why funds awarded for a SNAP project should be segregated
• Some awards are setup with one project and several activities representing each of multiple budget periods within an award
  • For example: an NIH non-SNAP award would have one ARC project but a separate activity for each of its 5 years

Case

• Recall these award details:
  • Award number: 5 R01 MH012345
  • Sponsor: National Institutes of Health, Institute of Mental Health
  • Principal Investigator: Sigmund Freud
  • Title: Effects of Regulatory Changes on Mental Health of Research Administrators
  • Award start date: 1/1/2015
  • Award end date: 12/31/2019
  • Total award budget: $500,000
  • Not subject to SNAP
  • Financial reporting: required annually
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  • Funding mechanism: letter of credit

Case & Project Setup

• How will this award be setup?
  • 1 ARC project
  • 5 Activities, representing each of the 5 budget periods
  • Each year’s activity is setup upon progress report submission or when the NGA arrives
• Project Period: 1/1/2015-12/31/2015 (extended incrementally)
• Award Period: 1/1/2015-12/31/2019
• GG001234 Dates: 1/1/2015 – 12/31/2019 Total Budget: $500,000
  • Activity 01 1/1/2015 – 12/31/2015 $100,000
  • Activity 02 1/1/2016 – 12/31/2016 $100,000
  • Activity 03 1/1/2017 – 12/31/2017 $100,000
  • Activity 04 1/1/2018 – 12/31/2018 $100,000
  • Activity 05 1/1/2019 – 12/31/2019 $100,000

Closeout Provisions

• Closeout provisions have among the greatest operational impact of changes within the Uniform Guidance
  • To address these provisions, a Closeout subgroup of the Uniform Guidance Task Force was formed
  • The subgroup:
    ▪ Convened every two weeks in the fall and continues to meet periodically
    ▪ Members include representatives of affected Central Administration offices and key schools
    ▪ Focus has been how to navigate and operationalize the challenging closeout timeline set forth by Closeout provisions

Financial Closeout Provisions

• The Uniform Guidance includes two provisions related to financial closeout:
  1. The final financial report must be submitted within 90 days of the project termination
     ▪ Reinforcement of a historical regulatory requirement
  2. All obligations must be liquidated within 90 days of project termination
     ▪ Mandates that all expenses must be liquidated and recovered within 90 days of project termination
       ▪ For letter of credit projects: drawn-down

Exceptions to “Uniformity”

• NIH and NSF requested exceptions to U.G. closeout provisions from OMB
  • They were granted these exceptions, and the closeout deadline is 120 days for NIH and NSF grants and cooperative agreements
  • The 120 day extension does not apply to NIH and NSF contracts, which are subject to the FAR Clauses, so the 90 day closeout deadline internal timeline will apply
Implications of Closeout Provisions

• Amount reported as expended on the final financial report must equal the amount drawn-down at the time that the report is submitted
• Expenditure finalization cannot lag behind submission of final financial report, so the internal financial closeout timeline will be condensed
• A series of notifications and a program which inactivates activities are being implemented to assist with adoption of internal closeout deadlines and to facilitate our compliance with the challenging closeout deadlines set forth by the U.G.

Letter of Credit – A refresher

• “Letter of Credit” is a funding mechanism which entitles the University to a line of credit against which it can withdraw to self-reimburse for incurred expenditures. The “LOC” process impacts:
  • Approximately 1,500 projects
  • More than 10 agencies
  • Various draw-down frequencies
• Due to these and other complexities, actual expenditures are used to generate LOC draw-downs
• SPF will discontinue acceptance of department-provided financial reconciliations, which have informed final financial reports (and non-LOC) reimbursement requests historically

Internal Closeout Timelines

• To manage the specifications of various sponsors and funding mechanisms, there will be three internal closeout timelines:
  1. NIH & NSF - 120 day closeout deadline sponsors
  2. Other prime sponsors - 90 day closeout deadline sponsors
  3. Inbound subawards - 60 day closeout deadline sponsors

Notifications

• Two email notifications will be distributed when an ARC project is terminating, and two separate email notifications will be distributed when an activity is terminating
  • When activities terminate before a project period, they will receive only the activity-level notifications
  • Notifications alert recipients of project/activity termination and internal closeout timeline milestones, provide guidance for financial review & management at closeout

Internal Closeout Timelines

• The internal closeout timelines involve these components:
  1. SPF Issued notifications
  2. Expenditure review & finalization
    • Activity inactivation
    • Expenditure validation
  3. Final reimbursement request
  4. Submission of final financial report
    • Not applicable to most inbound subawards

Notifications

When a project terminates, a minimum of one activity terminates as well so four notifications will be distributed in total, two representing the project, and two representing the terminating activity:

1. Project level – 90 days before project termination
   • Key recipients: PI, DA’s
2. Activity level - 60 days before activity termination
   • Key recipients: DA’s
3. Project level – at project termination
   • Key recipients : PI, DA’s
4. Activity level – 15 days after activity termination
   • Key recipients: DA’s
Notifications

- When two or more activities on a single project share an activity termination date, the activity notifications will be consolidated, listing all relevant activities within the same email.
- For budget or project periods with earlier reporting deadlines, notifications will be sent manually within 15-30 days of the deadline.
- Applicability:
  - Project level notifications have been/will be distributed for ARC projects terminating March 2015 and after.
  - Activity level notifications have been/will be distributed for ARC activities terminating March 2015 and after.

Financial Closeout Timeline for Prime Award

Sponsor deadline: **120 days**

Closeout milestones and notifications for a prime award:

- **90 Days Prior to Project End Date**
- **At Project Anniversary or End Date**
- **120 Days After Project End Date**

Before Expenditure Finalization

- DA should conduct a thorough review of project, including:
  - Review of:
    - Budget and direct & indirect costs
    - Outbound subawards
    - Integrating systems distributions
  - Submission of:
    - Pending cost transfer requests
    - Progress reports, technical reports, etc.
    - Carryover requests
  - Clearing:
    - Petty cash and travel advances
    - Overruns
    - Open encumbrances and purchase orders
  - Ensuring:
    - Cost Share commitments were met

Expenditure Review & Finalization

- Once expenditure review has concluded and expenses are finalized:
  - PI and DA are asked to respond to SPF-issued project closeout notification confirming that expenses charged to the project were incurred in support of that research project and that charges comply with applicable terms and conditions.
- Recall from earlier slides:
  - From inception, Quarterly PI & DA review
  - Annual DA confirmation
  - At Closeout, PI & DA confirmation

Expenditure Review & Finalization

- An automated ARC program will be implemented that inactivates activities a certain number of days after the date of activity termination.
- Inactivation will inhibit expenditure changes from posting to the activity.
- Workflow will be re-routed to initiators on transactions that are in process when the activity is inactivated, initiator will be notified.
Expenditure Finalization & Activity Inactivation

Timeline: Activities will be inactivated:

- NIH & NSF: 120 day closeout deadline ➔ 90 days after end date
- Other prime sponsors: 90 day closeout deadline ➔ 60 days after end date
- Inbound subawards: 60 day closeout deadline ➔ 40 days after end date

Activity Inactivation

- The program will affect all activities on a given sponsored project, including those with termination dates that precede the project termination date.
- For example: multi-year projects that require an activity for each year.
- When a sponsor deliverable has an un-standard (early) due date (less than 45 days from the budget period termination):
  - Advance notifications will be distributed indicating that expenditures must be finalized by 5 days before the deliverable is due.

Activity Inactivation

- The activity inactivation program will be implemented before the end of May for all activities that have been terminated and have aged beyond:
  - 90 days: for NIH & NSF prime grants and cooperative agreements.
  - 60 days: for all other prime awards and NIH & NSF contracts.
  - 40 days: for all inbound subawards.

Activity Inactivation

- When extenuating circumstances necessitate that an activity be re-activated, administrator should contact their SPF Project Manager outlining those circumstances.
- The SPF Project Manager will evaluate the request along with SPF Management to determine whether re-activation is appropriate, and will inform administrator of outcome.

Central Administrative Closeout Functions

- Once departments have completed their closeout obligations, SPF then completes these three final steps in the financial closeout process:
  - Final financial review:
    - Review of charges for allowability
    - F&A
    - Project AR
    - Excess cash disposition
    - Overrun clearance
    - Cost share and interest commitment
  - Final draw-down or reimbursement request:
    - Calculate amount unreimbursed
    - Request reimbursement
    - Ensure receipt of funds in full
    - Credit project
    - Record / communicate
  - FSR preparation and submission:
    - Final & complete financial review
    - Prep. & submission of FSR
    - Sponsor templates & systems when applicable
    - Distribute copies
    - Archive documentation

Fully Spent Projects & Peak Months

- In order to maximize the time provided to departments to finalize expenses, SPF has had to condense processes and timelines for execution of the three just-discussed SPF closeout processes.
- For NIH and NSF projects, we looked for certain characteristics that can help us manage the high volume of financial reporting obligations given these new processes and time constraints.
- The following exception to the NIH & NSF closeout timeline will be phased in:
Fully Spent Projects & Peak Months

- For NIH and NSF projects that are fully-spent or over-spent at the point of their termination, SPF will request expenditure finalization and validation by the 60th day after project termination.
- Once fully or over-spent, expenditures are generally finalized with the exception of a bottom-line direct cost transfer.
- Notifications will indicate that the exception timeline applies.
- If this alone is not sufficient to make peak reporting months operational, SPF management will work with departments on specific targets for early expenditure finalization and validation.
- We might suggest projects that seem to be good candidates for early expenditure finalization and validation, but will defer to the department’s judgment on how best to meet target.

Closeout Timeline for NIH & NSF Awards
Sponsor deadline: 120 days
Closeout milestones and notifications for a prime award:

- NIH & NSF Awards
- Sponsor deadline: 120 days
- Closeout milestones and notifications for a prime award:
  - 90 Days Prior to Project End Date
  - 60 Days Prior to Project End Date
  - Project End Date
  - 90 Days After Project End Date
  - 60 Days After Project End Date

Closeout Timeline for Other Prime Sponsors
Sponsor deadline: 90 days
Closeout milestones and notifications for a prime award:

- Other Prime Sponsors
- Sponsor deadline: 90 days
- Closeout milestones and notifications for a prime award:
  - 90 Days Prior to Project End Date
  - 60 Days Prior to Project End Date
  - Project End Date
  - 90 Days After Project End Date
  - 60 Days After Project End Date

Closeout Timeline for Inbound Subawards
Sponsor deadline: 60 days
Closeout milestones and notifications for an inbound subaward:

- Inbound Subawards
- Sponsor deadline: 60 days
- Closeout milestones and notifications for an inbound subaward:
  - 90 Days Prior to Project End Date
  - 60 Days Prior to Project End Date
  - Project End Date
  - 60 Days After Project End Date

Internal Closeout Timelines – Milestone Matrix
This matrix reflects the dates from project and activity termination of key closeout milestones for the three internal closeout timelines:

<table>
<thead>
<tr>
<th>Closeout Timeline</th>
<th>Project Notifications</th>
<th>Activity Notifications</th>
<th>Activity Inactivation</th>
<th>FSR Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIH &amp; NSF</td>
<td>#1 At term</td>
<td>#1 At term</td>
<td>60</td>
<td>+15</td>
</tr>
<tr>
<td>Other Prime Sponsors</td>
<td>#1 At term</td>
<td>#1 At term</td>
<td>60</td>
<td>+15</td>
</tr>
<tr>
<td>Inbound Subawards</td>
<td>#1 At term</td>
<td>#1 At term</td>
<td>60</td>
<td>+15</td>
</tr>
</tbody>
</table>

Case & Closeout Milestones
We’ve established that PI Freud’s project will receive activity and project closeout notifications over the life of the award.
- Barring changes to the project end date due to a no-cost extension, for example, the project will terminate on 12/31/2019.
- Sponsor is NIH, so, spending aside NIH & NSF internal closeout timeline would apply:
  - Which means, department will have 90 days from project termination to finalize expenses.
- If the project had $501,321 in expenses at termination, other prime sponsors internal closeout timeline will apply:
  - Remember, project budget is $500,000.
  - This means department will have 60 days from project termination to finalize expenses, in fact.
Applicability and Implementation

- New closeout processes will apply to all federal and non-federal sponsored projects, excluding industry clinical trials
- Implementation will occur in two phases
  - Notifications began going out in January
  - Activity inactivation program will begin to run in May
- Closeout Process Reference Guide forthcoming
  - Will be posted to the Uniform Guidance webpage and distributed to PI’s and DA’s

Disposition of Equipment

- For federal sponsored projects, major equipment disposition activity will need to occur during project closeout when project terms and conditions require it
- The Controller’s Office will contact the PI and DA if a piece of equipment purchased on a grant has a Fair Market Value (FMV) over $5,000 at award termination

Disposition of Supplies

- To facilitate transfer and re-use of equipment that is no longer being used, Finance has developed a “Research Equipment No-Cost Exchange”
  - More to come

Disposition of Equipment

- Equipment with FMV >$5,000 at closeout, must have one of the following dispositions:
  - Continues to be used by the PI on the original project or program, whether or not the project or program continues to be supported by the Federal award
  - Used by the PI on another federal award
  - Used by another CU PI on another federal award
  - Used by the PI on another non-federal award
  - Used by another CU PI on another non-federal award
  - Retained with FMV credited back to sponsoring agency
  - Sold and proceeds returned to sponsoring agency

Disposition of Supplies

- At closeout, SPF will contact the DA seeking clarification regarding disposition of supplies if, and only if, the following two conditions are met:
  - PI does not have another active federal or non-federal award
  - Fair Market Value of total reusable supplies purchased on the award exceeds $5,000
  - If these two conditions are met, the SPF Project Manager will contact DA and coordinate to estimate residual supplies after accounting for computer depreciation and non-reusable supplies like reagents and gases
Case & Equipment/Supplies Disposition

- On another one of PI Freud’s projects, recently terminated, the following purchases were made:
  - **Inverted Microscope**
    - Date of Acquisition: 12/19/2013
    - Award End Date: 2/28/2015
    - Original Cost: $9,391.77
    - Est. Fair Market Value at Award Termination: $4,508.05
  - **Refrigerated Centrifuge**
    - Date of Acquisition: 10/06/2012
    - Award End Date: 2/28/2015
    - Original Cost: $38,044.95
    - Est. Fair Market Value at Award Termination: $10,956.95
  - **Supplies (Original Total Expenses)**
    - Office Supplies: $2,580.00
    - Glassware: $1,239.00
    - Minor Equipment (computer, purchased two years ago): $1,512.00
    - Total Supplies Expense: $5,331.00

- PI Freud’s current portfolio includes:
  - NIH awards GG001234, ends 12/31/2019 and GG001235 ends 6/30/2016
  - NSF award GG001236, ends 2/28/2015

Strengthening Competitive Sourcing

- White House OMB has extended the effective date of the competing sourcing provision to July 2016, therefore existing competitive sourcing policies govern until July 2016
- Competitive sourcing threshold set at $3,000
  - University competitive sourcing policy currently set at $2,500 (exception of Service Providers which is set at $25,000)
- Sourcing over $150,000 requires a Request For Proposal (RFP) process

Resources

- Dedicated website: http://spa.columbia.edu/uniform-guidance
- General questions: uniform-guidance@columbia.edu
- To be developed/ongoing: Revision to policies in Administrative Policy Library, Revisions to Sponsored Projects Handbook

WRAP-UP
QUESTIONS?