Financial Reporting & Closeout

Understanding the Business Process

Presented by:
Office of Sponsored Projects
Topics Covered

- Review Course Objectives
- Roles and Responsibilities
- Definitions
- University Policy
- Process Cycle
- Award Closeout
- Scenarios
- Resources
- Questions
Upon completion, class participants will have a better understanding of:

- The roles and responsibilities of individuals involved in financial reporting and closeout
- Definitions, policies and procedures related to financial reporting and closeout of sponsored awards
- The financial reporting and closeout process cycle
- The steps necessary to appropriately close sponsored awards
Roles and Responsibilities

Principal Investigator

- Reviews financial reports with their department business office or business support unit in a timely fashion (preferably monthly) to determine that financial records accurately reflect the use of sponsor funds.

- Collaborates with the department business office or business support unit to ensure expenditures benefit the project and are in compliance with the terms and conditions of the sponsored award and University policy.

- Approves all subaward invoices.
Roles and Responsibilities

Department Business Office (DBO) or Business Support Unit

- Run, review and submit certified draft Sponsored Financial Status reports to OSP Financial Operations in accordance with the institutional deadlines.
- Provides documentation to support the mapping of University General Ledger expenditure types to sponsor-requested budget categories.
- Provides any required reconciliation backup including but not limited to special sponsor required forms, subaward reconciliation form, and training grant encumbrance form.
- Ensures internal service providers are provided with new charging instructions for ongoing expenses.
Roles and Responsibilities

Department Business Office (DBO) or Business Support Unit  *(continued)*

- In support of the PI, prepares requests for no-cost-extensions or carry forward requests to sponsor and submits them to the OSP Award Manager with a copy to the OSP Financial Operations not less than 30 days prior to the budget end date.


- Clears all commitments in accordance with instructions.

- Clears all overdrafts to a non-sponsored award.

- Retains financial records according to the University’s Records Retention policy.
Definitions

▪ **Financial Report**
  – An accounting of expenditures and obligations incurred during the period of performance and/or at the conclusion of the sponsored project. The financial report reflects the University’s official accounting records.

▪ **Carryover**
  – Unobligated funds remaining at the expiration of any budget period that, with the approval from the sponsor or under an automatic authority, may be carried forward to another budget period to cover allowable costs of that budget period.

▪ **Commitment**
  – An anticipated cost that has not been incurred.

▪ **Financial Closeout**
  – The process at the end of a sponsored award during which the University completes any required accounting to the sponsor, prevents any further expenses from being incurred on the award, and ensures cash has been received.
Definitions (continued)

▪ Overruns/Overdrafts
  – Charges that exceed the sponsor’s authorized award.

▪ Residual Balance
  – Residual balances are the unexpended cash balances on fee for service and fixed price contracts/clinical trials after all appropriate expenses have been charged to the award.

▪ Unobligated Balance
  – The portion of the funds authorized by the sponsor that have not been obligated or expended by the University.

▪ Unliquidated Obligation
  – An amount of an obligation that has been incurred but not yet paid or recorded.
Award Closeout

- The process of completing sponsor reporting requirements at the conclusion of an award

- The terms and conditions for each award will identify reporting requirements. For federal awards the following items are typically required:
  - A Final Technical/Progress Report
  - A Final Invention and Patent Report
  - An Equipment/Property Report
  - A Final Financial Report
  - Closeout Certification Forms
The University must complete all sponsored required financial reporting in compliance with the sponsor’s terms and conditions.

Financial reports must accurately reflect the actual use of sponsored funds as reflected in the University’s financial records.

Except in unusual circumstances and approved by the Financial Reporting Group in the Office of Sponsored Projects, the University will not file final financial reports that show unliquidated obligations.

Departments considered to be the responsible entity and owner of the award, must remove cost overruns or overdrafts in a timely manner.

Financial reports must reflect allowable costs only.
Process Cycle

Financial Reporting & Closeout
Financial Reporting & Closeout Process Cycle

1. Pre expiration (90 days or more prior to the award end date)
2. At the Award end date
3. Adjustment and Reporting Period (between 0 – 90 days after award expiration but before financial report submission)
4. Post financial report submission and closeout period (between 90 – 120 days past award expiration)

Processes associated with Financial Reporting & Closeout are a shared responsibility between the Principal Investigator (PI), department business office, business support unit, and OSP Financial Operations.
The Department Business Office (DBO) consults with the PI to determine if a No Cost Extension (NCE) is needed

- Most federal grants permit the University to approve and submit an NCE for up to one-year.
- In other cases, federal agencies and non-federal sponsors require prior approval to continue work and incur expenses after the project end date.
- Check sponsor requirements regarding NCE notifications.
- A request for an NCE is appropriate when:
  - Funds are available and
  - It is necessary to continue the scope of work as determined by the PI
The Department Business Office (DBO) reviews sponsored award terms and conditions checking for the following:

- What are the award carryover requirements?
  - Some awards require notification and prior approval for carryover;
    - Some NIH awards permit automatic carryover of unexpended balances from year to year
      - NIH Cooperative agreements (U series) and Program Projects (P series) require prior approval
      - Some non-federal sponsors require prior approval in order to carryforward an unexpended balance from year to year. Such as, the American Heart Association (AHA), Juvenile Diabetes Research Foundation (JDRF), Simons Foundation, and the Donaghue Foundation
  - Different awards from the same sponsor may have different carryover requirements.
    - Always refer to the award document
Process Cycle: Award End Date

Departmental Responsibilities

- Run the Sponsored Report Tracking (Award Tasks) to determine type of report required by sponsor and due dates to the designated OSP accountant.

- Ensure all costs are:
  - Allowable, allocable, reasonable & necessary, consistently treated,
  - Adequately documented, not used to meet cost sharing requirements of other federal award and in accordance with Generally Accepted Accounting Principles (GAAP).
  - Conforms to the sponsor’s terms and conditions and University policies

- Ensure no additional expenses are incurred after award end date

- Finalize posting of expenses and adjustments to the G/L

- Remove any unallowable and/or inappropriate/unapproved F&A type expenses from award

- Remove cost overruns in a timely manner, prior to the financial report certification

- Remove outstanding commitments
Sponsored Financial Status Report

HDCC1342 MEDCEL Cell Biology

**Actuals Through: September 2017**

**Award PI:** Chris Masterson  
**Award Owning Cost Center:** MEDCEL Cell Biology-All  
**Award Number:** AWDQ01234  
**Award Owning Cost Center Code:** CC0930  
**Award Description:** An Integrated System to Monitor Complex Tissues at Single-Cell Resolution

<table>
<thead>
<tr>
<th>Award Funded Amount</th>
<th>Award Start Date</th>
<th>Award End Date</th>
<th>Actual Balance</th>
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<tbody>
<tr>
<td>168,795.00</td>
<td>01-Aug-2016</td>
<td>31-Jul-2017</td>
<td>0.00</td>
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</table>

<table>
<thead>
<tr>
<th>Account Grouping</th>
<th>Expenses to Date</th>
<th>Adjustments</th>
<th>Adjusted Total</th>
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</thead>
<tbody>
<tr>
<td>SP03 Faculty Salaries</td>
<td>44,380.57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP24 Fringe Benefit Assessment</td>
<td>13,822.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP36 Materials &amp; Supplies</td>
<td>32,153.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP54 Travel</td>
<td>1,273.68</td>
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<td></td>
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<tr>
<td>SP57 Business Meals</td>
<td>313.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP63 Equipment &amp; Maintenance</td>
<td>15,917.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP95 Indirect Costs</td>
<td>60,934.43</td>
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<td></td>
</tr>
</tbody>
</table>

**Award Total:** 168,795.00

**Certification (by Principal Investigator/Authorized Designee)**

I as PI (or PI authorized designee) certify to the best of my knowledge that all charges reflected by this report 1. benefit the award, 2. are allowable according to University policies, sponsor requirements, and regulations, as appropriate, and 3. are reasonable and allocable to this award.

**Name & Title**

**Signature**

**Date**

**No-Cost Extension**

**Approved**

(Provide documentation)

**Pending**

(Provide copy of request)

**Note:** Financial reports are still required to be filed with sponsor until a formal approval is received.
The Adjustment Period

- The time between the end of a continuation award or the final budget year expiration date and the date the certified draft Sponsored Financial Status report is due at OSP, is called the Adjustment Period.

- It is critical to the reporting process that all financial reports are submitted timely to OSP.

- OSP has a set Adjustment Period schedule
  - The Adjustment Period is based on the report due date to the sponsor
  - The Adjustment Period varies from sponsor to sponsor
### OSP Current Adjustment Period Schedule

<table>
<thead>
<tr>
<th>Reporting Deadline Set by Sponsor</th>
<th>Adjustment Period</th>
<th>OSP Deadline*</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Number of days following the end date of a continuation award or the final budget year expiration date)</td>
<td></td>
<td>(Number of days due at OSP before sponsor due date)</td>
</tr>
<tr>
<td>10/15 Days</td>
<td>5/10 Days</td>
<td>5 Days</td>
</tr>
<tr>
<td>30/45 Days</td>
<td>15/30 Days</td>
<td>15 Days</td>
</tr>
<tr>
<td>60/90 Days</td>
<td>40/70 Days</td>
<td>20 Days</td>
</tr>
</tbody>
</table>

*The OSP deadline date is also referred to as the “Institutional Due Date”*
0 – 60 days after award expiration date

Department Responsibilities

▪ Review expenditures to be reported

▪ Certify and submit draft financial report and all supporting documentation to OSP on or before specified deadline.

▪ Send non-financial reports (progress/technical, patent & invention and final contractor reports) to the sponsor with copies to OSP Financial Operations.

  – Some sponsors may require the Authorized Organizational Representative (AOR) to sign reports
Test Your Knowledge
Review: Question 1

A certified draft Sponsored Financial Status report was due to OSP on 7/08/17, with the final financial report due at the sponsor on 7/28/17.

On 7/12/17, OSP followed up with the business office regarding the outstanding financial report. The business office indicates that no financial report is due because the PI submitted a No Cost Extension (NCE) directly and is awaiting approval from a non-federal sponsor.

▪ Question 1a: What is right or wrong with this scenario?
▪ Question 1b: When is an NCE request appropriate?
▪ Question 1c: How would the NCE request affect the financial report?
▪ Question 1d: What action would OSP take?
Question 1a: What is right or wrong with this scenario?

Question 1b: When is an NCE request appropriate?
Question 1c: How would the NCE request affect the financial report?
Question 1d: What action would OSP take?
Process Cycle: Adjustment & Reporting Period

60 – 90 days after award expiration date

OSP Financial Operations Responsibilities

- Review, reconcile and submit all financial report to sponsors
  - Verify charges
  - Reconcile F&A
  - Reconcile Cash
  - Assist in receipt of final subrecipient invoices
  - Prepare financial report
  - Certify and submit financial report to sponsor in format required

- Change award status to “On Hold” in Workday to prevent additional expenses from posting to the award
  - Award cannot be placed On Hold if adjustments are still pending

- Reduce funding, if necessary, to match the final financial report

- Add any encumbrances and/or automatic carryovers to new award or grant line, if applicable

- Maintain and track account receivables and collections
OSP Financial Operations Responsibilities

Before an award is closed in Workday, OSP verifies the following:

- A final financial report was filed with the sponsor
- All expenses were posted to the award
- All money was received from sponsor and applied to the award
- All commitments and overdrafts against an award were cleared
- Funding equals the award expenditures as reported to the sponsor (If necessary, OSP reduces funding level in Workday to the final financial report amount.)
Special Reporting:

- Many sponsors and certain types of programs require the submission of financial reports using their specific forms and templates. OSP may also require additional forms and templates.

Examples of sponsors/programs include:

- NIH NRSA Fellowship Awards
- NIH Training Grants
- State of CT Awards (including Stem Cell Awards)
- Clinical Trial Awards
- Some Non-Federal Awards
  - American Heart Association (AHA), Juvenile Diabetes Research Foundation (JDRF), and Susan G. Komen Foundation

Sponsor specific forms are received in a variety of ways:

- Emailed to the PI or OSP
- Received as a part of the award package
- Available online (via online reporting)
Special Reporting:  (continued)

- **NIH NRSA Fellowship Awards**
  - No financial report is required by the sponsor however an internal financial review is completed by OSP Financial Management.
  - Termination Notice must be completed via xTrain in ERA Commons within 30 days of award expiration date

- **NIH Training Grants**
  - Requires annual financial reports
  - Carryover requires prior approval
  - Departments must complete the Training Grant Encumbrance Form and submit to OSP in addition to the certified draft Sponsored Financial Status report
  - Trainee Terminations are submitted via xTrain in ERA Commons within 30 days of termination

- **State of CT Awards (including Stem Cell Awards)**
  - Requires unique sponsor forms
  - Reporting requirements vary based on State agency and award type
Special Reporting Examples:

- **Clinical Trial Awards**
  - Invoicing and payments are often based on milestones
  - *Note:* Any residual balances are reviewed on a case by case basis and requires the completion of Residual Balance Request Form.

- **American Heart Association (AHA)**
  - Financial Reports are completed online using AHA specific form
  - *Note:* Carryover requires prior approval as this is a special term and condition.

- **Juvenile Diabetes Research Foundation (JDRF)**
  - Financial Reports are completed online
  - *Note:* Carryforwards of 20% of the total budget amount from one year to another is allowed without prior approval on grants <$200,000. For grants >$200,000 carryover of 10% of the total budget amount without prior approval.
Test Your Knowledge
Dr. Sweeper has an award from the Green Chimney Foundation for $165,000. The department certified and submitted the draft Sponsored Financial Status report with expenses of $213,500, reflecting an overdraft of $48,500.

The department also provided a justification for the additional excess expenses, with no indication of how and when the overdraft will be cleared.

- **Question 2a**: How should the department have handled the overdraft?
- **Question 2b**: How will OSP report the financial report to the sponsor?
Question 2a: How should the department have handled the overdraft?
Question 2b: How will OSP report the financial report to the sponsor?
Award Closeout

Financial Reporting & Closeout
Award Closeout:

Early Termination

- When a PI leaves the institution prior to the expiration of an award:
  - The institution may request a change of PI so the award can remain at the Institution.
  - DBO must contact OSP Award Manager to submit a prior approval request for a change in PI.
  - If the award remains at Yale, the reporting requirements remain as indicated in the award document as do all other terms and conditions.
Early Termination

- Transferring an award(s) to the PI’s new institution:
  - Department Business Office (DBO) responsibilities:
    - Must notify the OSP Award Manager, the OSP Accountant, and other appropriate offices of the PI’s last day at Yale, anticipated award(s) termination date.
  - Determine subaward(s) status and terminate, if applicable.
  - Determine if equipment will be transferred to the new institution.
  - Ensure effort reports are completed prior to the investigator’s departure.
  - Ensure all expenses are appropriately charged.

- OSP end dates all the PI’s active awards to match the termination date.

**NOTE:** Awards are made to Yale University and not the PI. Yale must ensure compliance with sponsor’s requirements.
Award Closeout

What’s involved?

The University has a responsibility to ensure that the closeout of each sponsored award is performed in a timely manner

– The longer an award remains open and active increases the retention period
  • Active is an award status in the University financial system that will allow further financial activity to occur. It indicates that there are incomplete activities on the award, not that it is available to incur expenses.

– Closeout of a sponsored award should begin long before the expiration of the award

Policy 1105 Retention of University Financial Records
Risks

If an award is not closed properly and timely in the financial system, the following situations can be “risks” to the institution

– Sponsors may withhold new award notices, continuation funding or final payments until all outstanding financial and progress/technical reports are received.

– Could be an indication of poor management of awards. Sponsors may impose additional terms and conditions
Award Closeout

Issues That Prevent Timely Closeouts

▪ General Ledger expenses do not match the Final Financial Report
  – Adjustments may have posted resulting in higher or lower amounts than reported
  – Delay in posting of adjustments (subaward invoices)
  – Additional debits and/or credits post to award

▪ Collection issues

▪ Outstanding final payments

▪ Outstanding Technical Reports

▪ Residual balance review
Test Your Knowledge
Review: Question 3

A final financial report was submitted to the NIH on 9/28/16 for an award that ended on 6/30/16. On 3/24/17 the department submitted a revised certified draft Sponsored Financial Status report showing additional expenditures of $21,000 and requested that OSP revise the financial report to include these expenses.

The department indicates that invoices were received on time but were not submitted for processing.

- **Question 3a:** What actions would OSP take regarding this request?
- **Question 3b:** What would be the outcome if the adjustment was a credit to the award?
Question 3a: What actions would OSP take regarding this request?
Question 3b: What would be the outcome if the adjustment was a credit to the award?
Course Take Aways

✓ Ensure the timely and accurate submission of all sponsor required reports and award closeout.

✓ Requests for NCE’s should be made at least 30 days prior to the award’s end date.

✓ Sponsored Financial Status report must be certified and submitted to OSP on or before the Institutional Due Date.

✓ Any overdrafts or deficits on an award at the filing of the Financial report must be removed timely (before the time of filing).

✓ All sponsor reporting requirements must be adhered to.

✓ Management of sponsored awards is a shared responsibility.
Web Links and Resources

- 1301 GD.02: Financial Reporting and Closeout Guide
  https://your.yale.edu/policies-procedures-guides/1301-gd02-financial-reporting-and-closeout

- 1301 FR.01 Request to transfer Residual Balance from Sponsored Awards form
  https://your.yale.edu/policies-procedures/forms/1301-fr01-request-transfer-residual-balance-sponsored-awards

- 1301 PR.05 Residual Balance Fund Transfers
  https://your.yale.edu/policies-procedures/procedures/1301-pr05-residual-balance-fund-transfers

- Policy 1105: Retention of University Financial Records
  https://your.yale.edu/policies-procedures/policies/1105-retention-university-financial-records

- Policy 1301: Sponsored Projects Financial Reporting and Financial Closeout

- Financial Review and Reporting Standards: Roles & Responsibilities in Transaction Processing, Planning & Financial Management:
  https://your.yale.edu/work-yale/training/financial-training/financial-review-and-reporting-standards
Web Links and Resources (continued)

- NIH xTrain Information
  https://your.yale.edu/policies-procedures/other/brown-bag-nih-xtrain

- No-Cost Extension Request:– Helpful Hints
  https://your.yale.edu/research-support/office-sponsored-projects/awards/prior-approval-requests/no-cost-extensions

  https://messages.yale.edu/messages/attachments/w3_157022_FINAL_OSP_News_and_Updates_2017_Vol_3_Iss_1.pdf

- Relinquishing Statement (form PHS 3734): for NIH awards a completed form is required

- OSP Training and Educational Opportunities website: view training for Faculty and Research Administrators

- Download an electronic version of this handout – with clickable links:
  https://your.yale.edu/policies-procedures/other/financial-reporting-closeout
Review Questions and Answers
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- **Question 1a:** What is right or wrong with this scenario?
- **Question 1b:** When is an NCE request appropriate?
- **Question 1c:** How would the NCE request affect the financial report?
- **Question 1d:** What action would OSP take?
Question 1a: What is right or wrong with this scenario?

- If procedures had been followed, OSP would know there was an NCE.
  - All NCE requests should be submitted to the OSP award manager for approval and submission to the sponsor. The sponsor should not be contacted directly by the PI or DBO.

Question 1b: When is an NCE request appropriate?

- In order to request a NCE there must be funds available AND it is necessary to continue the scope of work.
Question 1c: How would the NCE request affect the financial report?

- Depending on the sponsor, a financial report may still be due to the sponsor because Yale has not received an approval of the NCE by the sponsor.

- A NCE request does not negate an annual financial reporting requirement.

- If the sponsor requires annual reporting, the report for that period will then become an interim report. OSP Financial Operations would still require a certified draft Sponsored Financial Status report and the report would be sent to the sponsor.

*Note:* An annual progress/technical report would also be required.
Question 1d: What action would OSP take?

- OSP would follow-up with the department for the certified draft Sponsored Financial Status report and any additional information.

- The financial report would be filed to the sponsor by the due date required
  - The cover letter that accompanies the financial report would indicate that the PI has requested a NCE, and sponsor response is pending.
Dr. Sweeper has an award from the Green Chimney Foundation for $165,000. The department certified and submitted the draft Sponsored Financial Status report with expenses of $213,500, reflecting an overdraft of $48,500.

The department also provided a justification for the additional excess expenses, with no indication of how and when the overdraft will be cleared.

- **Question 2a:** How should the department have handled the overdraft?
- **Question 2b:** How will OSP report the financial report to the sponsor?
Question 2a: How should the department have handled the overdraft?

- Departments must clear any overdraft.
  - An overdraft should be removed before submitting the certified draft Sponsored Financial Status report to OSP.

- Departments should be monitoring all sponsored awards on a monthly basis (or other frequency no greater than 90 days) to ensure that awards do not go into overdraft.
Question 2b: How will OSP report the financial report to the sponsor?

- The financial report would be filed to the sponsor indicating expenditures only up to the funded amount of $165,000

- If the department does not clear the overdraft by the due date of the certified draft Sponsored Financial Status report, OSP will remove the overdraft by charging the department’s suspense Project
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The department indicates that invoices were received on time but were not submitted for processing.

- **Question 3a:** What actions would OSP take regarding this request?
- **Question 3b:** What would be the outcome if the adjustment was a credit to the award?
Question 3a: What actions would OSP take regarding this request?

- Determine if there are available funds
- NIH allows revised financial reports increasing expenditures within the budget and a certain timeframe after the original FFR was filed
- Any revision request must be approved by the PI, Business Office and sent to the Financial Reporting Group in OSP for approval.
- OSP will request justification indicating why the invoices were not included in the original financial report
- After a full review, OSP will revise the FFR and submit to NIH.
Question 3b: What would be the outcome if the adjustment was a credit to the award?

- A revised financial report is required in cases where a credit to expense occurs resulting in a balance to the award
- A revised financial report is required regardless of time frame
Questions?

Email questions to: osp.trainings@yale.edu

You will receive a response within 2 business days.