Financial Closeout

Under the Uniform Guidance

Sponsored Projects Finance (SPF) has implemented new sponsored project financial reporting, closeout, and expenditure validation procedures in response to regulatory changes contained within the Uniform Guidance. This Financial Closeout Reference Guide provides a summary of key impacts below, and additional context and detail on the following pages. This document may be updated as sponsor interpretations and implementation plans develop, and updated versions will be maintained on the SPF website, and at the following link: http://finance.columbia.edu/content/financial-closeout-reference-guide

Note: the term "project," as used herein, refers to the ARC project established to track a sponsored award (or segments of it), and "activity" refers to the sub-project accounting mechanism established to track expenses.

1. Summary of Impacts

- **Condensed expenditure finalization timeline**
  - Expenditures must be finalized the following number of days after project termination:
    - 90 days: for NIH & NSF prime grants and cooperative agreements
    - 60 days: for all other prime awards, including non-federal awards, and NIH & NSF contracts
    - 40 days: for all inbound subawards made to Columbia
  - Activities will be inactivated automatically at night on the 90th, 60th, and 40th day according to the schedule above, inhibiting further expenditure changes
  - Activities on projects with un-standard (early) financial reporting deadlines will be inactivated 5 days before the reporting deadline
  - Notifications will be distributed to PI’s and DA’s alerting them in advance of the above deadlines
  - SPF will submit financial reports based on expenses posted to ARC and will neither accept department provided financial reconciliations nor report pending expense adjustments

- **Required validation of expenditures**
  - Validation of the appropriateness of expenditures will be required annually and in advance of final financial reporting deadlines/closeout
  - For annual validation of expenses:
    - SPF will send email requests to PIs and DA’s on the anniversary of the project, and the validation will be due within 90, 60, or 40 days of the anniversary, depending on the sponsor and award type, as outlined above
    - Validation is required of the DA alone if the DA regularly reviews the project expenditures and thus has a basis on which to confirm appropriateness, otherwise PI validation is needed
  - For final validation of expenses:
    - SPF will send email requests to PIs and DA’s at the project termination, and the validation will be due in advance of, or on, the expenditure finalization deadline detailed above
    - Both PI’s and DA’s must provide final validation of expenditures prior to final financial report submission and financial closeout
    - An emailed response to the requestor will suffice as validation
    - Validations on projects with shorter reporting deadlines will be due within 15-30 days

- **Equipment and excess supplies disposition**
  - The Controller’s office may request, by email, that the PI and DA provide information related to the disposition of capital equipment or excess supplies with a value >$5,000 at project termination

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2. Context & Additional Detail

Context

The White House Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR §200 et seq., commonly known as the Uniform Guidance (UG), consolidates and makes changes to sponsored project regulatory requirements. The guidance went into effect on December 26th, 2014. Columbia has developed the following website to collate information and resources regarding the Uniform Guidance: http://spa.columbia.edu/uniform-guidance

The closeout process changes resulting from this regulatory change apply to federal and non-federal sponsored projects, except for industry clinical trials.

Closeout Provisions

The UG includes two provisions related to sponsored project financial closeout:

1. The final financial report must be submitted within 90 days of the award termination
2. All obligations must be liquidated within 90 days of award termination

The first provision is the reinforcement of a historical regulatory requirement. The second provision is new, however, and mandates that all expenses on sponsored projects must be liquidated and recovered within 90 days of project termination.

NIH and NSF requested exceptions to U.G. closeout provisions from OMB. They were granted these exceptions, and the financial 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 Federal Acquisition Regulations and maintain a 90-day closeout deadline.

Implications for Financial Closeout Timeline

In order to ensure that expenses are reimbursed fully and that the final financial report is filed within the requisite days of project termination, the internal financial closeout timeline has been condensed. Expenditures must be fully-posted to the project, finalized, and validated as appropriate by a certain number of days after project termination:

- 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 made to Columbia

The timeframe for inbound sub-awards is predicated on a typical 45-day deadline for submission of the final invoice to the subawarding agency.

Activity Inactivation

An automated ARC program has been implemented that inactivates activities a certain number of days after the date of activity termination. Activities will be inactivated automatically at night on the 90th, 60th, and 40th day according to the schedule above, inhibiting further expenditure changes. Expenditures should be fully-posted and finalized prior to activity inactivation. Transactions that have partial approvals prior to activity inactivation will not post once the activity is inactivated.

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In July 2015, a complementary ARC program will be implemented that will re-route workflow to initiators for transactions that are in process when the activity is inactivated. The transaction initiator will receive a system-generated email indicating that a transaction should be resubmitted to an active unrestricted activity, or another sponsored project activity to which the transaction is allowable, allocable, and appropriate. Alternatively the DA can request that an inactivated activity be reactivated, then re-submit the transaction to the original, reactivated activity.

The activity inactivation program will affect all activities, including those with termination dates that precede the project termination date. For example, activities on multi-year awards that require an activity for each year will be inactivated at night on the 90th, 60th, and 40th day after each year’s activity termination date.

Activities with non-standard (early) reporting deadlines that are less than 45 days from activity termination for inbound subawards, and less than 65 days from activity termination for prime awards, will be inactivated manually 5 days before the reporting deadline.

**Activity Reactivation**

When extenuating circumstance necessitate that an inactivated activity be re-activated, a DA must submit a request for re-activation to their SPF Project Manager (PM). The DA should outline the extenuating circumstances in an email to their SPF PM, who will evaluate the request along with SPF management to determine whether the re-activation is appropriate. Once the review has concluded and a decision is rendered, the SPF PM will notify the DA via email.

**Expenditure Finalization and Validation**

In advance of expenditure finalization and activity inactivation dates, DA’s should conduct a thorough review of expenses and execute any transactions needed to bring expenditures to finality. A thorough review includes:

- Review of budget and all direct and indirect costs
- Analysis of outbound sub-awards to ensure that all invoices have been received, reviewed, and paid
- Submission of pending cost transfer requests and review/cancellation of anticipated integrating systems distributions
- Reconciliation of petty cash and travel advances, liquidation of open encumbrances and PO’s
- Removal of an overrun, or determining disposition for an unexpended balance, when either exists
- Preparation and submission of progress reports, technical reports, and invention statements when required

When a terminating project and activity represent the final project and budget period of an award, a DA should determine if a no-cost extension (NCE) is necessary, and collaborate with their Sponsored Projects Administration (SPA) Project Officer on the request.

If activities on a project have activity owning departments that differ from the project owning department, the project PI and DA should work with the activity PI and DA to finalize and validate those expenditures.

Once expenditure review has concluded and expenses are finalized, the PI and DA are asked to respond to the SPF-issued project closeout expenditure validation request confirming that expenses charged to the project were incurred in support of that project and that charges comply with applicable terms and conditions. Separate validations are required, though the DA may forward the PI’s validation, or vice versa.

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This validation must be provided to SPF on or before the date of expenditure finalization, recall from above the following number of days after project termination:

- 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 made to Columbia

Should SPF fail to receive the requested validations in advance of the financial reporting deadline, SPF will assume that expenses in the system are appropriate, report them to the sponsor, and any changes to expenditures deemed necessary after that point will be disallowed unless they are expenditure credits. Only when expenditures are deemed overstated on the project will SPF both allow credits to post and revise the financial report.

**Fully spent NIH & NSF 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 three important SPF closeout processes: final financial review, final draw-down or reimbursement request, and Financial Status Report preparation and submission. In order to assist SPF in managing a high volume of financial reporting obligations given new time constraints, SPF will phase in an exception to the above discussed deadlines for some NIH & NSF projects.

For NIH and NSF grants and cooperative agreements 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, instead of at the 90th day. Once fully or over-spent, expenditures are generally finalized with the exception of a bottom-line direct cost transfer. Notifications outlined below 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. Notice will be disseminated when these exceptions are in effect.

**Project & Activity Closeout Notifications**

SPF will send two email notifications when an ARC project is terminating, and two separate email notifications when an activity is terminating. Project-level notifications will be distributed to project-owning PI’s and DA’s, and activity-level notifications will be distributed to project- and activity-owning DA’s. Notifications alert recipients of project or activity termination date, detail internal closeout timeline milestones, and provide guidance for financial review and management at project or activity closeout.

The first project-level notification will be distributed 90 days before the project termination date, and the second will be distributed on the date of project termination. The first activity-level notification will be distributed 60 days before activity termination, and the second will be distributed 15 days after activity termination. When two or more activities on a single project share an activity termination date, the activity closeout notifications will be consolidated, listing all relevant activities in the same email.

Closeout notifications are generated automatically based on ARC project and activity end dates. When a project end date is likely to be extended due to a no-cost extension (NCE), closeout notifications will be triggered on the above described timeline until the NCE is granted and SPA extends the ARC project end date. Once the project end date is extended, the project closeout notifications will be suspended.

For budget or project periods with early financial reporting deadlines (less than 45 days from activity termination for inbound subawards, and less than 65 days from activity termination for prime awards)

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closeout notifications will be sent manually ahead of the reporting deadline. The earlier closeout timeline milestone dates included in the manual notifications supersede dates noted in the automatically triggered emails, and the manual notification will clarify so.

**Major Equipment Disposition**

For federal sponsored projects, major equipment disposition activity will occur during project closeout when project terms and conditions require it. The Controller’s Office will contact the PI and DA when a piece of equipment purchased on a grant has a Fair Market Value (FMV) over $5,000 at award termination. When this is the case, the piece of equipment must have one of the following dispositions:

- Continue 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
- Be used by the PI on another federal award
- Be used by another CU PI on another federal award
- Be used by the PI on another non-federal award
- Be used by another CU PI on another non-federal award
- Be retained with FMV credited back to sponsoring agency
- Be resold, and proceeds returned to sponsoring agency

To facilitate transfer and re-use of equipment that is no longer being used, central administration is developing a web-based “Research Equipment No-Cost Exchange.” Notice will be distributed when the resource is live.

**Excess Supply Disposition**

For federal sponsored projects, excess supply disposition activity will occur during project closeout if the estimated FMV of total reusable supplies purchased on an award exceeds $5,000 and the PI does not have another active federal or non-federal award. SPF will estimate the value of residual supplies at project closeout with the use of an algorithm that considers date of purchase, amount, depreciation of computer equipment, and supply type, for example non-reusable supplies like reagents and gases.

**3. Matrix & Timelines**

This matrix reflects the dates from project and activity termination of key closeout milestones:

<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>- 90</td>
<td>At term</td>
<td>- 60</td>
<td>+ 15</td>
</tr>
<tr>
<td>(Grants &amp; coop. agreements)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Prime Sponsors</td>
<td>- 90</td>
<td>At term</td>
<td>- 60</td>
<td>+ 15</td>
</tr>
<tr>
<td>(NIH &amp; NSF; contracts, fully spent projects)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inbound Subawards</td>
<td>- 90</td>
<td>At term</td>
<td>- 60</td>
<td>+ 15</td>
</tr>
</tbody>
</table>

The following three timelines represent closeout milestones associated with each:

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4. Questions & Additional Information

For questions related to the financial administration and closeout of specific sponsored projects, please contact your department’s SPF Project Manager. A PM assignment list is available at:

http://finance.columbia.edu/files/gateway/content/spf/SPF_Department_Portfolio_by_Project_Manager.pdf

Additional information about the Uniform Guidance can be found at:

http://spa.columbia.edu/uniform-guidance

Information about the quarterly financial review of sponsored projects can be found at:

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

When modified, subsequent versions of this document can be found at:

http://finance.columbia.edu/content/financial-closeout-reference-guide

Additional information about Sponsored Projects Finance can be found at:

http://finance.columbia.edu/content/sponsored-projects-finance

If you have questions about this guidance, please contact Tamara Hamdan, Executive Director of Sponsored Projects Finance, at th2271@columbia.edu