Extramural Fund Management

November 10, 2022

Agenda

- **The New Final Financial Deliverable Procedure**
  - ◦ Changes announced at August 2022 RAF
  - ◦ Understanding the current challenges
  - ◦ Exploring possible solutions
  - ◦ Next steps

What was communicated in August RAF

- **More details of the background and the new procedures can be found in the August 2022 RAF presentation on [the ORA-RAF website](.).**

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From RAF in August 2022

Important Upcoming Changes

- **Target Effective Date: January 1, 2023**
  - Closeout packets due on January 1, 2023, and onward.

- **Key changes:** In the final financial deliverables (the final), EFM will consider including the only expenses that are *posted to the project fund in GL* and *included in the closeout packet* (COP). If expenses are not posted to the fund in GL, EFM will not include them in the final even if they are included as adjustments in the COP for the *finals due 60 days or later* after the project period.
  - Monthly reconciliation, required by UCLA policy 910, can ensure that all expenses are posted to the project fund in GL including cost transfers before submitting a COP to EFM (Refer to the reconciliation timeline in the next slide).
  - The PI/Department will be responsible for locating unrestricted funding source to cover expenses not included in the Final and transfer them off from the project fund.

- **Business scenarios:** If there are any business scenarios we should consider in developing the new procedure, email them to Yoon (yoon.lee@research.ucla.edu).
  - Any questions or comments are welcome and appreciated.

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What was communicated in August RAF

- **More details of the background and the new procedures can be found in the August 2022 RAF presentation on the ORA-RAF website.**

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Important Upcoming Changes

- **Target Effective Date: January 1, 2023**
  - A revision request submitted to EFM on January 1, 2023 and onward.

- **Key changes:** No change to a downward revision request. For an upward revision request,
  - Increasing thresholds for revision as follows;

	Current	January 1, 2023 ~
When a closeout packet is submitted	$5,000	$10,000
When a closeout packet is not submitted	$10,000	$30,000

  - Reducing the number of revision and the window for a revision as follows;

	Current	Due Date	
Number	Up to 2	Within 120 days	after the original final due date or the submission date of the final, whichever is later
Timing	1	Within 60 days	

  60 days after the original final due date is aligned with NIH requirement (180 days from the project end date).

- **Soliciting Feedback**
  - Any questions or comments are welcome and appreciated. Share your feedback with Yoon, yoon.lee@research.ucla.edu.

From RAF in August 2022

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Understanding Current Challenges

- **Campus communicated the followings as key challenges in recording all C&G expenses to the project fund timely before submitting a closeout packet.**
  - ◦ *Non-Payroll*: Delays in processing invoices.
  - ◦ *Payroll*: Delays in addressing issues reported to the UCPath Center/CRU related to direct retros and other payroll related corrections.

- **For Non-payroll, ORA reached out to Procurement and AP ("P2P") to understand the current process and to find solutions for timely posting of C&G expenses to the project fund. A few discussions took place, some of which included research administrators from the departments.**
  - ◦ P2P team processes a high volume of invoices and AP's current service level agreement is 30 days to process an invoice from the AP team's receipt of the invoice.
  - ◦ Not only subaward invoices but also some non-subaward invoices are sent to the departments by vendors and this adds to a delay in posting C&G expenses to the project fund.
  - ◦ Vendors submitting electronic invoices through Transcepta can be helpful to reduce the invoice processing time. Processing paper invoices takes about 3 times more.
  - ◦ The current system and business processes do not always support routing invoices to the current department fund manager.
  - ◦ The current system does not provide the department with visibility of the invoices that require department's actions.

Understanding Current Challenges

- **For Payroll, there are delays in addressing issues related to Direct Retros or other payroll related corrections in UCPath Center ("UCPC")/CRU, making it challenging to post all payroll expenses to the project fund timely before submitting a closeout packet.**

  ◦ Often time, UCPC's actions are required to resolve the issues. CRU submits the ticket to UCPC. UCPC has the process of assigning priority based on scores assigned for each of the 6 following areas. Scoring is done by the local campus as the ticket is submitted to UCPC.

  ◦ This prioritization methodology was supported by the General Ledger Community of Interest Group (formerly known as UC Campus Controller team).

  ◦ If the issue is caused by a bug affecting a specific scenario (instead of a system design defect) and does not affect a high number of employees or significant financial impact, or it's not required by regulatory requirement, it is likely to get low scoring.

Is it required?	Locations Impacted?	# of Employees Impacted and/or Financial impact?	Impact on Manual Work/ Costs?	Frequency?	High Level IT Effort?
Legal Compliance/ Regulatory = 5 UC Policy = 3 Not Required = 1	Systemwide = 3 Multiple = 2 Single = 1	High = 5 Medium = 3 Low = 1	Great Improvement= 5 Moderate Improvement = 3 No/Limited Improvement = 1	Recurring = 5 Sometimes = 3 One-time = 1	Complex (>161hours) = 0 Large (81–160 hours) = 1 Medium (41–80 hours) = 3 Small (0–40 hours) = 5

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Understanding Current Challenges

- **The new procedure is primarily being developed to ensure that UCLA is compliant with Uniform Guidance (UG), specifically §200.344 Closeout, although some of other non-federal sponsor have the same requirements.**

- **Focus on addressing key challenges around Federal funds first.**
  - The final financial report is due to the sponsor 120 days after the project end.
  - The closeout packet is due to EFM 90 days after the project end.
  - How can we post all expenses by 90 days from the project end date before submitting a closeout packet?

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Understanding Current Challenges (Federal)

*"**§200.344 Closeout**: The final financial report and the final cash draw **must** be submitted within **120 days** from the project period end."*

After the project end	1 ~ 30 DAYS	31 ~ 60 DAYS	61 ~ 90 DAYS	91 ~ 120 DAYS
	Department			EFM
✔ Payroll (excl. pending UCPath/CRU actions)	Review the final month payroll expenses and process Salary Cost Transfers, Benefit Cost Transfers, and/or other payroll related corrections as needed.	Confirm accuracy of corrections. Process additional adjustments as needed.	Prepare a closeout packet (COP). All payroll in the COP should have been posted to the project fund (No pending salary cost transfer adjustments).	**Fund management team**: Reviews the COP to finalize expenses. Prepares and submit the final financial report or the final invoice. **Cash management team**: Review authorized amount in the sponsor's system and draw cash on letter of credit based on the final expenses.
✔ Nonpayroll (excl. Subawards)	Review the final month nonpayroll expenses and process expense transfers as needed. Review open POs and follow up with vendors to get invoices for the goods and services purchased and/or delivered for the last month or prior months.		All nonpayroll in the COP should have been posted to the project fund except for subawards.	
✔ Payroll corrections pending UCPath/CRU	If an issue is discovered from the last month payroll or prior months, submit the ticket to report the issue to the CRU. If the issue is not resolved in time, include the payroll adjustment in the COP with adequate supporting documentation and the service ticket number/date.			EFM will include such payroll in the final when appropriate.
✘ Nonpayroll (subawards)	Follow up with the subawardees for the final invoice and past due invoices if any. For FDP, interim invoices are due to UCLA 30 days after the month end (monthly/quarterly). The final invoice is due to UCLA 60 days after the project end.	Department to get PI's approval and send it to AP. AP to process the invoice (currently 30 days).		Including expenses not posted in GL in the final is not compliant with Uniform Guidance.

Solutions are needed

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Exploring Solutions: Subaward Expenses

- **The current purchasing and payable system offers limited functionality, restricting solution options. Jagger implementation will address some challenges but it goes live later next year. In the meantime, ORA and AP are exploring temporary solutions for timely posting of C&G expenses to recover all project costs incurred. The following options are being considered;**
  - AP already has the process of prioritizing subaward invoices. ORA and AP are discussing if AP can further prioritize the final subaward invoice for processing (possibly department indicate "federal final subaward invoice" in the comment section in the subaward invoicing portal).
  - AP has hired additional staff to address email and phone inquires. This will benefit to address urgent items to process.
  - It is an option to consider shortening the subaward project period by one month earlier than the project period with the prime sponsor.
  - It is an option to split the last 60 days among Department, AP, and EFM evenly; 20 days for the department to obtain the PI's approval and route it to the AP, 20 days for AP to process the final subaward invoices (instead of the current 30 days), and 20 days for EFM to review a closeout packet and prepare the final.
- **Solutions will not be likely available in time to implement the new procedure effective January 1, 2023.**

New Procedure of Preparing the Final: Now What?

- **Urgency and importance of implementing the new procedure remains high but postponing the target effective date of the new procedure to address challenges mainly around subaward expenses.**

  ◦ EFM will collect the data (all expenses not posted in GL but included in the final) to identify areas where expenses will be at risk for reimbursement under the new procedure and quantify financial risk, using PAMS adjustment pages at each month end.

  ◦ EFM has started collecting the data from October 2022 and will continue through March 2023.

  ◦ After March 2023, EFM will evaluate the financial and compliance risks based on the data and the status of solutions to facilitate timely posting of non-payroll expenses to the project fund.

  ◦ In the meantime, as EFM gathers the data, EFM will work with AP team to develop solutions for timely posting of contract and grant expenses. EFM will also reach out to the departments with material adjustments to better understand challenges with real examples and collaborate to find solutions.

- **Thank you, those who reached out to me to share your thoughts on the procedure and suggestions!**

  ◦ Your feedback and ideas are welcome and appreciated. Please continue to reach out to me if you have any thoughts to share.

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Key Takeaways

- **Changes to the procedure of preparing the final financial deliverable:**

	Communicated in August RAF	Changes
Target effective date	January 1, 2023	To be determined after evaluating the data and solution status, after March 2023
Applicability	• All contract and grant funds *and* • The final is due 60 days or later after the project period	• Federal funds only *and* • If the award has multiple fund numbers for the project period, the fund for the last year of the project only (not applicable to funds for interim budget years)

- **Changes to the revision process:**

  ◦ At August 2022 RAF: Target effective date was communicated as January 1, 2023 → Will go into effect as the new final procedure goes into effect.

- **The new procedure is necessary to protect the PI's research projects and the University from financial consequence of non-compliance and to continue to receive future funding for the research community without adversely impacting University's reputation. The new procedure will need to be implemented sooner than later.**

- **Continue to perform monthly reconciliation for timely correction of errors if any.**

- **Share your challenging cases and ideas for possible solutions with Yoon Lee, yoon.lee@research.ucla.edu**

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Any Questions?

Contact Information

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