

MDA23-109 Grants and Contracts Closeouts

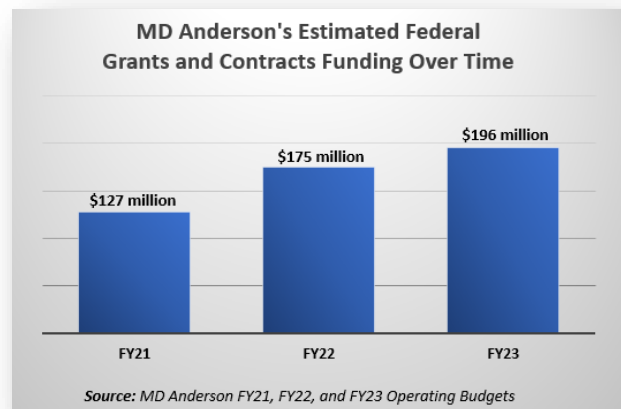
September 11, 2023

Executive Summary

Federal regulations require the closeout of sponsored projects to occur 120 days after the close of the project. In order to comply with these requirements, Principal Investigators (PIs), Department Administrators (DAs), and Grants and Contracts Administration (GCA) partner to prepare and submit all financial and non-financial deliverables required.

Internal Audit performed a review to determine whether federal awards are being closed in a timely manner. As there are multiple deliverables being submitted, we recognize the shared responsibility between PIs, DAs, and GCA to ensure timely closeouts occur. As such, we have identified the following opportunities for improvement:

- Ensure Timely Closeouts Occur
- Retain Closeout Submission Documentation
- Monitor and Track All Deliverables Submitted to Federal Sponsors



Details are outlined in the Detailed Observations section.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before August 31, 2024.

Appendix A outlines the objective, scope, and methodology for the engagement.

The courtesy and cooperation extended by the personnel in Grants and Contracts Administration are sincerely appreciated.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
September 11, 2023

DETAILED OBSERVATIONS

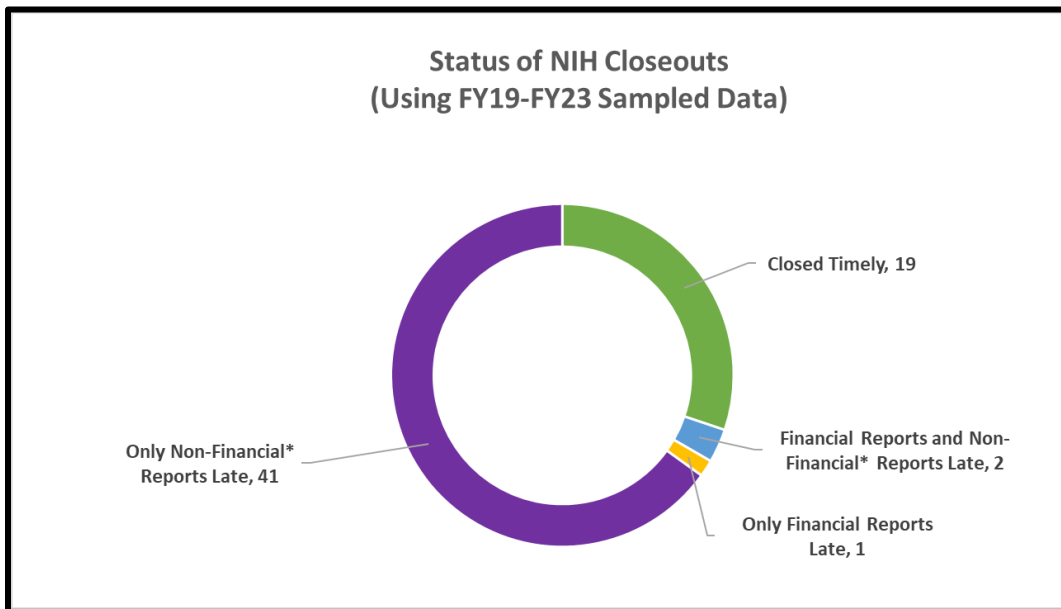
1. Ensure Timely Closeouts Occur HIGH

Our review of 63 randomly sampled National Institutes of Health (NIH) awards revealed that 44 (70%) were not closed timely in accordance with sponsor requirements. The majority of these awards were closed within two months subsequent to the sponsor’s deadline.

To close an award, NIH typically requires three deliverables:

- 1) Final Financial Report (FFR),
- 2) Research Performance Progress Report (RPPR), and
- 3) Final Invention Statement and Certification (Invention Stmt.)

The graph below depicts the deliverables responsible for each delay:



FFR: Final Financial Report
***Non-Financial Reports Include:**
RPPR: Research Performance Progress Report
Invention Stmt: Final Invention Statement and Certification

A previous audit conducted by Financial Controls reviewed the award closeout process in PeopleSoft. It revealed a significant backlog of awards past their end date in FY21 that still had not been closed. Grants and Contracts Administration developed a remediation plan to have most of the backlogged awards closed by the end of FY22, beginning with the federal awards. Based on the results of our testing, it appears that Grants and Contracts Administration put forth efforts to ensure the Final Financial Reports were submitted timely. However, the other reports, such as the Research Performance Progress Reports and the Final Invention Statement and Certifications, may not have been submitted within the required timeframe.

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According to NIH closeout guidance, all final deliverables must be submitted within 120 days after an award's end date.¹ When required deliverables are not submitted within specified deadlines, future funding may be affected. Furthermore, a recent article highlighted that the NIH is strengthening its enforcement of reporting requirements, especially related to clinical trials. They emphasized that reporting delays in the future will have a direct impact on future funding.

Recommendation:

Grants and Contracts Administration and Office of Sponsored Programs, in conjunction with the Departments, Divisions, Chief Scientific Officer and Chief Medical Executive should enhance current monitoring and reporting processes to ensure the Institution complies with closeout requirements. While the Principal Investigators are responsible for submitting the Research Performance and Progress Report, as well as, the Final Invention Statement and Certification, Central Administration should partner with PIs, Department, Division Leaders, and Executive Leadership to develop a process to inform them of upcoming report deliverables that are due. An escalation process to Executive Leadership should be considered to ensure timely submission of non-financial deliverables.

Management Action Plan

GCA, in collaboration with the offices of Research Administration, Chief Scientific Officer and Chief Medical Officer, recognize the importance of the submission of all final reports to sponsors by the deadline as this can impact the institution's status with the sponsor. In addition, we appreciate the recognition of the challenges associated with this process and the need to partner with appropriate individuals to maintain submission compliance. The collaborative group will engage in a twostep approach that includes bringing educational awareness to faculty of non-compliance and a defined reminder and escalation process to ensure that everyone is held accountable for the on-time delivery of the non-financial deliverables.

Responsible Executive: Omer Sultan, Dr. Giulio Draetta, Welela Tereffe, Ferran Prat
Division/Department Executive: Carrie Feighl, Tania Secrest, Alicia Newton, Wes Harrott
Owner: Lori Armstrong
Due Date: August 31, 2024

2. Retain Closeout Submission Documentation

MEDIUM

Grants and Contracts Administration was not able to provide confirmation of an award's closeout status for any of the Department of Defense (DOD) awards selected for testing. Therefore, we were unable to determine if DOD awards were closed out timely. For FY2023, it is estimated the institution will receive approximately \$8 million in DOD funding; however, noncompliance with federal close-out requirements could possibly jeopardize these funds.

According to Management, it is not standard practice to retain copies of the submission correspondence with the sponsor for award closeouts. However, federal regulations require all records pertinent to an award be retained for three years after the date of the final financial

¹ For projects ending on or after October 1, 2014, recipients must submit a Final Federal Financial Report (FFR), Final Progress Report (FPR), and Final Invention Statement and Certification (FIS) within 120 calendar days of the end of the period of performance. (Source: National Institutes of Health, Notice Number: NOT-OD-15-111, retrieved from: <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-15-111.html>)

report is submitted.² Without maintaining all relevant documentation for award closeouts, the institution may not be able to ensure compliance with federal requirements, potentially impacting future funding.

Recommendation

Management should retain documentation supporting the closeout status of DOD awards.

Management Action Plan

GCA understands how crucial it is to save all relevant records related to the administration of awards. Due to various sponsor systems and how they mandate various forms of input, it has not been normal practice to keep emails and other "proof of submission" items as relevant documentation. We understand that not having such "proof" records could be noted as a deficiency. GCA will update our Job Aides to include saving submission emails and screenshots of the "submission confirmation" screen once they have been submitted in the applicable electronic Award File.

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3. Monitor and Track All Deliverables Submitted to Federal Sponsors

MEDIUM

Grants and Contracts Administration tracks the submission dates for Final Financial Reports; however, their tracking does not include Research Performance Progress Report or Final Invention Statement and Certification submissions. The absence of a centralized tracking system poses a challenge to monitor or demonstrate the timely submission of required deliverables for federal grants.

While the Principal Investigators have the responsibility to prepare and submit these reports to federal sponsors, Grants and Contracts Administration is the centralized department who has the visibility to monitor the submissions of all required reports. Additionally, internal procedures indicate that Grants and Contracts Administration will identify outstanding closeout deliverables to ensure compliance with sponsor requirements.

Recommendation

Management should implement processes to monitor and track all required deliverables submitted to federal sponsors.

² Per the Code of Federal Regulations, "supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report." (Source: Code of Federal Regulations, retrieved from: <https://www.ecfr.gov/current/title-32/subtitle-A/chapter-I/subchapter-C/part-34/subpart-B/subject-group-ECFR19067f356f7b19f/section-34.42>)

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Management Action Plan

GCA is aware of the requirement to monitor necessary deliverables. By using the Milestones Tab in the PeopleSoft Grants Module for each particular Award, this is already in place for the financial criteria. A more consistent monitoring method will be provided by the addition of milestones for the non-financial deliverables to the system.

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Appendix A

Objective, Scope and Methodology:

The objective of the review is to determine whether federal grants and contracts are being closed in accordance with requirements and in a timely manner. Our period of review included September 1, 2017 through present, and any related periods.

Our procedures included but not limited to the following:

- Reviewed relevant policies, procedures, guidance, regulations, and recent articles applicable to closeouts of federal awards
- Reviewed previous Financial Controls assessment of grants and contracts closeouts
- Evaluated internal closeout processes within PeopleSoft for control gaps or weaknesses
- Interviewed key personnel in Grants and Contracts Administration regarding closeout processes
- Selected a sample of grants which ended during the period reviewed to verify if they were 1) closed per the sponsor and 2) timely closed based on report submission dates

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The internal audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards (GAGAS)* requirements for internal auditors.

Audit Team: Sherri Magnus, Mahmud Mrad, Rachel Bourns and Sacha Nouedoui

Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as “*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.*”