

THE UNIVERSITY OF TEXAS AT ARLINGTON
OFFICE OF GRANT AND CONTRACT SERVICES
CLOSE-OUT PROCEDURE

EFFECTIVE DATE OF POLICY/PROCEDURE: June 1, 2000

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Background and Purpose

Close-Out is the final stage of a funded project. One of the many important duties performed by the University of Texas at Arlington's Office of Grant and Contract Services is final administrative Close-Out of contracts, grants, and cooperative agreements which also includes the Close-Outs of Subcontracts. There are Federal, state, and local rules, which govern the way this must be handled, and this policy/procedure will demonstrate what must be performed. The purpose of this procedure is to provide general guidance to UTA research administrators relating to Close-Out activities and to shed some light on the overall system under which terms and conditions of contracts, grants, and cooperative agreements are fulfilled.

Organizational Structure

This will be a general overview of the Close-Out process, policies, and procedures. Included will be details relative to individual deliverables and other actions unique to the Close-Out process, and access to forms and instructions.

Definitions and Terminology

There are some basic assumptions necessary for understanding the essential nature of the Close-Out process as described here:

- a. A Layered Process- Generally, award Close-Out is the process of documenting and assuring the fulfillment of the terms and conditions of the award, of making final disposition of all award by-products, such as final vouchers, reports, patent disclosures, and property, and obtaining the certification from the sponsor that all documentation is acceptable.
- b. Types of Award- Grants and cooperative agreements vary in important ways from Contracts as far as Close-Out is concerned. Many of the same forms and procedures are utilized for both, however.
- c. Types of Delegations- Since ONR (Office of Naval Research) services all of the Department of Defense (Army, Air Force, and Navy) as well as 10 NASA Centers they will request the applicable Close-Out documents. Generally speaking, the type of delegation ONR receives from the buying command will drive the type of Close-Out related documents. For example, under a "voucher only" delegation ONR would not be required to assure that a final patent report has been received. For purposes of this procedure, we will focus generically upon the ENTIRE Close-Out process.
- d. Award-Specific Terms and Conditions-Each individual contract, grant, or cooperative agreement is potentially different in its Close-Out requirements than the next. An intimate knowledge of the specific terms and conditions of an award, especially relating to final deliverable requirements, is a pre-requisite for a complete understanding of the Close-Out process. Read the terms and conditions of each award for a full understanding of this aspect of the Close-Out process.

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General deliverable requirements and other actions unique to the closeout process:

- a. The Federal Acquisition Regulation (FAR) at 4.804-5 provides detailed procedures for the Close-Out process, and charges the office administering the contract with this responsibility after receiving evidence of its physical completion. Generally speaking, most of these requirements are applicable to contracts. The primary purpose of these procedures is to ensure that-
- (1) The University has complied with the terms and conditions set forth in the award, including timely submission of all deliverables.
 - (2) Disposition of classified material is completed.
 - (3) Final patent reports and royalty reports are cleared.
 - (4) Plant and property clearance report is received and all property is fully dispositioned.
 - (5) Final costs have been reviewed and accepted by any one of several audit approaches, and /or any disallowed or open elements of costs are settled or dispositioned, including:
 - Subcontract settlement/ Close-Outs
 - Open year indirect cost rates
 - Submission of the University's final invoice
 - Deobligation of excess funds has been recommended
- b. Similarly, concerning grants and cooperative agreements, OMB Circular A-110, Subpart D-, entitled, "After-the Award Requirements" contains Close-Out guidance and other procedures for subsequent disallowances and adjustments. Specifically A-110, Subpart D .71, Close-Out procedures, requires that recipients submit "within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award."

What do ONR ACO's do relative to the Close-Out procedure?

Assuming administrative final Close-Out duties are delegated to the ONR Regional Office, an Administrative Grants/Contracts Officer (ACO) will, with the help and assistance of other staff members in the Regional Offices, expedite delivery of the necessary reports, and route them through the submittal, review, and acceptance process. The ONR office will:

- Solicit the University for the required deliverables, including providing forms, guidance or other counsel relative to the Close-Out process;
- Ensure that the University submittals meet the administrative requirements of the terms and conditions of the award (e.g., distribution was made correctly to the right parties, in the right format etc.) ****NOTE: ONR ACO's make no formal decision concerning technical acceptability of the final performance deliverables;**
- Contact and follow up with the sponsoring agency following submittal of deliverables to gain formal acceptance, or facilitate necessary desirable changes to the deliverables from the University; and
- Conduct final administrative Close-Out of the award, including completion of relevant forms, certifications, and releases, review and acceptance of final cost.

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THE CLOSE-OUT PROCESS ITSELF

(a) When do we start?

Once the award is physically complete, (See FAR 4.804-4 and OMB Circular A-110,.71 Close-Out Procedures) e.g., the period of performance has expired, the “clock begins ticking” for submission by the awardee of final deliverables mentioned above. The ACO will prompt the University with a letter or other communication (such as e-mail) indicating the requirements to submit final deliverables, or otherwise reminding the University of its Close-Out-related obligations.

(b) What is required?

Final deliverable requirements are usually identified in the individual award terms and conditions. They may appear as an appendix, a data requirements list, or as a simple attachment. These attachments will generally include instructions relative to the distribution destination of these final deliverables, including numbers of copies and mailing addresses. In research and development, examples of final technical/performance deliverables may be a research report, data, software, or more rarely, a prototype of some sort.

(c) Why is this process important?

The Government acceptance of the University’s final deliverables and reports is critical to the overall success of the project. In many instances, this act of final acceptance can cause the release of final payments to the University, and ultimately lead to release of the University from lingering obligations under the award. This acceptance may take many forms, again driven by the type of award and the individual terms and conditions.

Some common forms of acceptance are:

- (1) Government Letterhead correspondence indicating or certifying acceptable final deliverables or performance. (This certification may be executed by the awarding contracting officer, or his or her delegate, such as a Contracting Officer’s Representative (COR) or Program Manager/Officer (PM/PO).)
- (2) The Final DD Form 250- Material Inspection and Acceptance Report (Enclosure Twelve) – (most commonly used in cost-type or fixed fee contracts).
- (3) Other electronic communications indicating final acceptances.

SPECIFIC DELIVERABLES -The following is a list of items required for Close-Out, when they are due, and the format in which they must be submitted:

- **WHAT: FINAL TECHNICAL PERFORMANCE REPORT CLOSE-OUT**

WHEN: Generally due 60 to 90 days after the period of performance has expired, but one should refer to the specific terms and conditions of the award and it’s governing regulations.

HOW: Formats/Forms used: ONR Grantees are generally free to submit final technical reports on normal bond paper, but are also charged with including a complete “Report Documentation Page” (SF298) (Enclosure Eleven) as the last page of each copy of every scientific and technical report prepared under their Grant. The form contains instructions for preparation.

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COMMENTS: Universities may have a specific format to comply with for submission of final technical data, such as the DD250, the final Material and Inspection Receiving Report (Enclosure Twelve). Look for and read an attachment to the contract called a “CDRL”, DD1423-2 (Enclosure Thirteen)-a contract data requirement listing- which is a “one-stop shop” for all required deliverables, their due dates, and their distribution instructions.

COMMENTS/OTHER: Many granting agencies, including ONR, reserve the right to direct its grantees to make additional distribution of technical reports in accordance with a supplemental distribution list provided by the Program Officer or COR. Also, any discrepancies in actual performance or delivery must be reconciled before the award can be closed.

- **WHAT: FINAL PATENTS CLOSE-OUT-**

WHEN: Generally due at the end of the period of performance.

HOW: Format/Forms used: The Department of Defense uses the DD Form 882, “Report of Inventions and Subcontracts” (Enclosure Six). There are other forms and procedures for NASA Awards.

COMMENTS: Under NASA awards, each research grantee, research contractor and research subcontractor is required to report new technology to NASA Technology Utilization Office, using a NASA Form 666 A and/or NASA Form C-3043 (Enclosure Eight).

COMMENTS/OTHER: May involve additional form submittal, such as an invention disclosure report, and involve complex legal issues, such as copyrights and royalties. Most of the forms needed can be easily accessed and downloaded from the ONR University Business Affairs Home page. The address of this page is <http://www.onr.navy.mil/02/024/forms>.

- **WHAT: FINAL COST CLOSE-OUT-**

WHEN: Generally due at the end of the period of performance.

HOW: Format/Forms used: SF 1034/1035 (Enclosure Two) for contracts, and SF 269 or SF 269A (Enclosure Ten) for grants are commonly used forms on DoD agreements.

COMMENTS : The ONR ACO will conduct some type of final financial review of the costs incurred under a given award, to ensure that all costs are reasonable, allocable, and allowable. This review may take the form of a:

- A desk review, where cost elements originally budgeted in the proposal are compared and contrasted with those costs actually incurred.
- A full audit of the individual award, conducted by the cognizant federal agency for audit of the University’s institution, either Department of Health and Human Services or Defense Contract Audit Agency. These are generally reserved for high-dollar awards.
- Reliance on the OMB Circular A-133. Reports for the University - characterize the overall abilities of the University’s management and control and incurred cost systems. These reports are based upon generally agreed to accounting principles, and establish a benchmark of transactional acceptance by reliance on the overall systemic tests of the University’s financial system.

COMMENTS/OTHER:

During this financial review process, the ACO may disallow or accept final costs, and will execute the final completion voucher releasing any residual payment still due. He or she will also execute several forms internal to the government, including DD Forms 1593 and /or 1594, and a final contract/grant completion statement summarizing the final deliverables.

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Also, the award terms and conditions may require or urge submission of final financial peripheral documents, such as final releases from liabilities, obligations, and claims, refunds, rebates, and credits. **Importantly**, many of these same duties and requirements may “FLOW DOWN” to the subcontractors, in order to ensure final Close-Out of subcontractors and subrecipient monitoring.

- **WHAT: FINAL PROPERTY CLOSE-OUT**

WHEN: Generally due by: At the end of the period of performance, usually 60 to 90 days thereafter.

HOW: These reports are generally concerned with property where title is vested with the Government, e.g., federally owned.

Format/Forms used: DD Form 1662(Enclosure Seven), NASA Form 1018, (for contract awards), and also generic letterhead inventories for most grants.

COMMENTS/OTHER: The ONR ACO, working with the cognizant procuring office, will take the necessary steps to execute the responsibilities of the government when property has been provided to or acquired by the contractor. This process will ensure the final accounting for and disposition of all federally owned property under the contract or grant, and will make final determinations as to vesting of title, final dispositioning, and reporting of the property close-out process to the specific, interested parties.

- **WHAT: FINAL SECURITY CLOSE-OUT**

WHEN: Generally due as applicable from the terms and conditions of the award.

HOW: Format/Forms used, or reference: See DoD Directive 5220.22-R, Section VII, 7-104 and 7-106. Also, Form DD 254(Enclosure Nine).

COMMENTS/OTHER: For classified awards, prudent steps shall be taken by both the University and the government contract administration office to ensure final disposition of all classified material generated to or accessed by the University in the performance of the contract. These procedures vary based on the type, access, and nature of the classified material involved. The ONR Regional offices have access to industrial security specialists who can assist them in the performance of these duties. The University should direct any and all questions relating to these procedures to the Cognizant administrative contracting officer for further guidance. Disposition instructions or retention authority received from the authorized activity will be forwarded to the University and a copy provided the cognizant Industrial Security Office. After a classified contract is closed and Final Contract Completion Statement has been issued, all classified material approved for retention by the contractor is under the cognizance of the procuring contracting office and cognizant Industrial Security Office.

One of the best (and free) resources for acquisition issues of all types is the Defense Acquisition Deskbook, which can be obtained through the Internet. It includes a wide range of searchable acquisition reference material, including FAR, the DFAR, OMB Circulars, and service-level information.

Other reference sites for information are: <http://tram.rice.edu/TRAM/index.html> and The Society of Research Administrator's GRANTS WEB URL, which can be found at <http://web.fie.com/cws/sra/resource.htm>.

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Also more reference material can be found at :<http://www-far.npr.gov>
Additional DoDForms can be found at :<http://web1.whs.osd.mil/idchome/DDEFORMS.HTM>
Additional SF Forms can be found at :<http://web1.whs.osd.mil/icdhome/SFEFORMS.HTM>
Government Printing Office products and reference materials can be found
at :http://www.aces.gov/su_docs/

The following checklist should be considered for Close-Out purposes. There will sometimes be waivers of certain requirements, but if your grant or contract is silent on waivers the checklist should be followed. State, local and private institutions sometimes have their own forms, so contact the funding agency for the appropriate forms.

Checklist

1. Contractor/Subcontractor Close-Out Confirmation letter. (Enclosure One)
2. Contractor /Subcontractor Close-Out or Final Invoice. (Enclosure Two)
3. Contractor /Subcontractor Release. (Enclosure Three)
4. Contractor /Subcontractor Assignment of Refunds, Rebates, and Credits. (Enclosure Four)
5. Contractor /Subcontractor Final Technical Report. (Enclosure Five)
6. Contractor /Subcontractor Invention Disclosure. (Enclosure Six)
7. Contractor /Subcontractor Property Disposition. (Enclosure Seven)
8. Contractor /Subcontractor New Technology Report (Enclosure Eight)
9. Contractor /Subcontractor Government Security Disclosure. (Enclosure Nine)
10. Contractor /Subcontractor Final Financial Report. (Enclosure Ten)
11. Contractor/Subcontractor Report Documentation Page (Enclosure Eleven)
12. Contractor/Subcontractor Material Inspection and Receiving Report (Enclosure Twelve)
13. Contractor/Subcontractor Contract Data Requirement Listing (Enclosure Thirteen)

Some agencies will require the Principal Investigator (PI) to prepare a final budget, technical reports, expenditure reports and other miscellaneous reports on line, which will also require the post award representative to participate. If a report is required and it is not applicable, prepare a negative report. Please see the checklist above.

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The Principal Investigator will:

- Review the subcontractor's final report(s) and deliverables thirty days prior to the end of the Prime Contract and notify the OGCS Post Award of any additional information that must be obtained from the Subcontractor. If all items have been satisfied by the Subcontractor, the PI will notify the OGCS Post Award that the Subcontract can be closed out.
- The PI will incorporate the Subcontractor information, if applicable, and then prepare the final technical report and any other deliverables of a scientific or technical nature and submit to the OGCS Post Award for submission to the sponsor. This will also include information on property, patents, and intellectual property, government security issues, and any other requirements specific to the grant or contract.
- Review the final voucher from the subcontractor, prepare Payment Approval voucher and approve it, and submit the Payment Approval Voucher and the Subcontractor's final invoice to OGCS.

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The OGCS Post Award will:

- Post Award will go into the DEFINE system and run the expiring grant list. For those grants that are nearing expiration or that have already expired, pull the file and examine it to determine if any additional information or action must be required of the Principal Investigator. Obtain all the required information from the Subcontractor, if applicable, and submit to the Principal Investigator for review and disposition, as well as for inclusion of certain information in the Principal Investigator's final report.
- Obtain the Final Report from the PI and submit with any other deliverables, property reports, patent reports, and intellectual property reports to the sponsor. OGCS Post Award will coordinate with the Grant Accountant and assure the payment of the Subcontractor Final Voucher if applicable and preparation of the Final Voucher.
- Review all documentation in the grant/contract, review information in DEFINE to ensure consistency with the grant/contract, and with the assistance of the PI and the grant accountant, prepare all closing documentation.

The Grant Accountant will:

- Run the DEFINE program AQJGCA3X on the first work day of the month to update group status on expired accounts. The program changes the status from active to expired on the CA3 screen at the expiration date of the grant/contract and from expired to closed 60 days after the expiration date of the grant/contract. The Accounting Administrator also runs the DEFINE CGJG3501 program on the second workday of the month. This program generates a VJ1 entry to remove the free balances from the closed cost reimbursement accounts by reducing the budgeted amount to equal actual expenditures.
- Review expired accounts using the GB2 screen and verify the facilities and administrative costs are charged in accordance with the approved rate and make any necessary adjustments. Also confirm that all income has been received and verify with the PI and post-award that all expenditures have been posted and that no request for extension will be filed. Determine the total direct and indirect charges and e-mail post-award the information so they may update CA3 screen 2. The CA3 totals must match the GB2 totals and RGI totals (for CR-MS accounts only) for DEFINE to close the accounts.
- Receive a monthly CGJGRPSU report from Post-Award showing the reports due to be submitted. Review the report and prepare all the required reports including any final financial reports and forward to the agencies. Federal accounts require either a Financial Status Report on Form 269 or 269A or a final Request for Advance or Reimbursement on Form 270 to be filed within 15 to 90 days of completion of the project. Review the agreement for due dates and reports required.
- Fixed price and advanced payment accounts may have fund balances remaining at closing. Review the agreement and discuss with post-award to determine the disposition of the balance. The agency may require the funds be reimbursed or allow the Principal Investigator or Department to keep the balance. Ninety (90) days after expiration transfer the funds to the P.I./Department's 30 account if the balance does not have to be returned to the agency. All fixed price contracts for the School of Urban and Public affairs and Social Work must be transferred to the Dean's 30 account. Any request to transfer the net balances prior to ninety (90) days after expiration must be in the form of a memo or email submitted to OGCS. The request must state that all expenditures related to the conduct of the project have been charged to the account and there will be no more expenditures made for the project.

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- The transfer of fund balances will be completed on VJ1 entries. The free balance of each category of the accounts is removed by reducing the budget to the amount of the expenditure. The balance of the account is coded to the 50 category. If there is no 50 category use another but avoid using salary, fringe and facilities and administrative charge categories. Then transfer the balance from the 50 category to the appropriate 30 account's 90 category. Once transferred, notify the PI via e-mail of the amount and the 30 account number credited.
- Upon completion of the closing procedures proceed with the archiving procedure.