

FREQUENTLY ASKED QUESTIONS

THE CLOSEOUT PROCESS

- **Where can I find DOL/ETA's closeout regulations?**
- **What are the definitions of closeout terms?**
- **What is a grant lifecycle?**
- **What are the standard closeout procedures?**
- **What should the grantee have completed in preparation for and during closeout?**

1. Where can I find DOL/ETA's closeout regulations?

- a. Title 29 CFR Part 95 - Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, and with Commercial Organizations, Foreign Governments, Organizations under the jurisdiction of Foreign Governments, and International Organizations.
- b. Title 29 CFR Part 97 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- c. Title 2 CFR Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

2. What are the definitions of closeout terms?

Administrative cost – costs associated with performing overall general administrative functions, i.e., accounting, financial and cash management, property management, payroll, records management etc. See 20 CFR Part 667.220 for a representative sample of such costs.

Grantee administrative funds may be used to perform closeout activities, including electronically submitting documents, within the 90-day timeframe allowed, as long as the funds are only used to liquidate costs, not to incur new obligations. There is generally an administrative cost limit associated with ETA grants. Amounts expended in excess of the administrative cost limitation are subject to disallowance during the closeout phase.

Audit – the examination of records, documents and other evidence for the purpose of determining the propriety of transactions and assessing the compliance with relevant cost and accounting requirements. An independent financial audit is due periodically per recipient policies. A Federal Single Audit is due annually from each recipient which expends more than \$500,000 in Federal funds annually.

Budget Realignment – a bi-lateral modification action, which is agreed upon and signed by both the Grant Officer and the grant recipient, and adjusts amounts among the line items of the SF-424a budget document in accordance with actual expenditures. The total amount of the grant budget remains the same.

Closeout Financial Report – an ETA-9130 financial report, executed by the recipient after the grant expiration date, to reflect actual and final payments and costs.

Closeout phase/Closeout period – the period of time after the grant end date that ETA determines that all applicable administrative actions and required work of the grant have been completed by the recipient and ETA. This period is used by the recipient to liquidate remaining obligations under the grant and to prepare and transmit final fiscal and program documents. It marks the end of the grant agreement between ETA and the recipient.

Closeout Resolution Specialist (CRS) – ETA staff assigned to receive and review grant closeout documents, perform a financial reconciliation and assist the recipient in fulfilling its closeout obligations.

Cognizant Agency – the Federal agency that is responsible for approving indirect cost rate agreements/cost allocation plans for a recipient organization.

Cost Allocation Plan (CAP) – a method of attributing costs arising from the same activity proportionally to different revenue streams based on benefit received. The written document (cost allocation plan) is prepared by the grantee and the cognizant agency to support the costs that have been incurred.

De-obligation modification – removes any remaining, unspent funds from the grant award. A zero-deobligation indicates that there are no unspent funds.

End User Manual – an electronically transmitted package that is made available to the recipient to initiate the closeout process. It contains instructions and required documents for closeout.

Equipment – tangible, nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Acquisition of equipment requires prior approval from an ETA Grant Officer as a condition of the grant agreement. Equipment is also known as property.

Federal Project Officer (FPO) – ETA staff assigned to carry out oversight and grants management activities to assist the recipient during the grant period of performance and closeout.

Grant Closeout System (GCS) – ETA's electronic closeout system used for the submission of the grantee's closeout package.

Grant Officer for Closeout – The Grant Officer specifically charged with timely execution of all activities during the closeout phase.

Grants Management System (GEMS) – ETA's database for grants management information during the period of performance. GEMS data is prepared by Federal Project Officers.

Indirect Cost Rate Agreement – an agreement between a recipient and its Federal cognizant agency which establishes the proportion of operating costs, such as electricity, insurance or compensation for an Executive Director, which cannot be directly and uniquely attributed to a single funding source. The indirect cost rate agreement establishes provisional and final rates at which the recipient can be reimbursed by the grant for such activities.

Intellectual Property – an intangible product which has value as a commodity, including but not limited to trademarks, copyrights, patents and patent applications.

Liquidate – to satisfy financial obligations by paying owed amounts.

Match – additional non-Federal resources expended to further the grant objectives, if required either by statute or within the grant agreement as a condition of funding. Failure to provide the

match amount by the grant expiration date results in a potential disallowance and debt established by the government.

Obligation – creation of a legally-binding agreement, for example payment by a recipient to a third party for goods or services.

Payment Management System (PMS) – an electronic fund transfer system operated by the U.S. Department of Health and Human Services. ETA is a customer. Recipients use PMS to drawdown grant funds.

Performance Certification – a document executed by the Federal Project Officer which evaluates the sufficiency of the recipient activities under the grant.

Program income – gross income earned by the recipient that is directly generated by a grant supported activity or earned as a result of the award. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights and interest on loans made with award funds. However, interest earned on advances of Federal funds and tuition costs are not considered program income. Such income is added to the award and expended for the same purposes. Unspent program income is subject to a request for refund during the closeout phase.

Property – equipment acquired under the grant to support grant activities. Title vests with the recipient; however, the Federal government retains an equity interest in all such property and issues disposition instructions during the closeout period.

Recipient – an organization receiving financial assistance directly from ETA to carry out a project or program, also known as the grantee.

Refund – the Grant Officer for Closeout may determine that certain uses of grant funds are not allowable, or are in excess of established limits. Other revenue streams which support the grant may not reach agreed upon thresholds. These amounts are recovered from the recipient through a refund.

Sub-recipient – the legal entity to which a sub-award has been made by the recipient, and which is accountable to the recipient for the use of the funds provided.

3. What is a Grant Lifecycle?

Each demonstration, discretionary, or competitive grant follows a four-stage lifecycle:

A. *Pre-award phase* -the purpose, amount and conditions of the grant are established by the Federal government.

B. *Award phase* - applicants are solicited and evaluated. A selection is made of one or more recipients. A grant agreement is executed between the Federal government and the recipient.

C. *Period of Performance* phase - the period of time during which the recipient expends Federal funds to carry out the purposes and activities specified in the grant agreement. The Federal government exercises oversight and grants management activities.

D. *Closeout phase* - The Federal government reconciles amounts paid with expenditures. It evaluates the sufficiency of activities under the grant and identifies unobligated balances, disallowed costs and amounts potentially subject to collection.

4. **What are the standard closeout procedures?**

Typically, the closeout phase includes three distinct features: notification to the recipient of closeout obligations at key points in the grant lifecycle; reconciliation activities after the grant expiration date, and documentation of fiscal and program performance for the official record.

A. Notification

1. Early Notification – a notification of closeout obligations under an ETA grant will be contained in both the Solicitation for Grant Applications and the grant agreement.
2. Advance Notification of Pending Closeout – an email notification from the Grant Officer to the recipient, will be transmitted six (6) months prior to the end of the grant.
3. Notification at Grant Expiration and commencement of closeout - transmittal of the closeout package from the Closeout Office to the recipient will occur at the end of the grant period of performance.

B. Reconciliation. The closeout process commences on the grant expiration date and covers the evaluation of the following recipient activity:

1. Reconciliation of Expenditures with Payments – amounts reported on the Closeout financial report are compared with amounts paid out from the Payment Management System. Final drawdowns to reimburse recipient expenditures can occur during this closeout phase. Payments in excess of expenditures are subject to a request for refund.
(29 CFR 95.22/29 CFR 97.21)
2. Administrative cost limitations – actual administrative costs are reported on the Closeout financial report (Line 10f). Amounts which exceed the administrative cost limitation specified in the grant agreement are subject to disallowance.
3. Unliquidated Obligations (line 10g) – should be stated as -0- on the closeout financial report (ETA-9130).
4. Match requirements (as appropriate) - actual match costs are reported on the

Closeout financial report (Line 10j). When actual match does not equal or exceed required match, the difference is an amount potentially subject to debt collection. (CFR 95.23/29 CFR 97.24)

5. Program income (as appropriate) - actual program income earned (Line 10o) and expended (Line 10p) are reported on the Closeout financial report. Unexpended amounts of program income (Line 10q) are subject to disallowance. (29 CFR 95.24/29 CFR 97.25)
6. Reconciliation of Budget with Expenditures – amounts from the SF-424a budget document in the grant agreement are compared with actual expenditures on the Grantee Detailed Statement of Costs form. Actual expenditures which exceed 120 percent of budgeted amounts (with the exception of salaries and fringe benefits) are subject to disallowance. There is no flexibility allowed for the salaries and fringe benefits line items. (29 CFR 95.25)
7. Indirect Cost – the actual amount of indirect cost charged to the grant is compared with the rate established by the Indirect Cost Rate agreement. Actual indirect cost which exceeds the rate agreement is subject to disallowance.
8. Refunds, Rebates and Credits – the recipient must return to the Federal government any sums resulting from refunds, rebates and credits available for grant-supported activities. (29 CFR 95.72/29 CFR 97.51)
9. Property/equipment inventory and disposition – the recipient must identify the current status (location, condition, value) of all property acquired under the grant. The Closeout Resolution Specialist will review the record to determine that prior approvals were obtained. Amounts associated with property acquired without prior approval are subject to debt collection. The ETA Property Manager will furnish disposition instructions for all acquired and government-furnished property. The regulations cited below address both grantee and subgrantee property/equipment. (29 CFR 95.32-37/29 CFR 97.31-37)
10. Performance certification – the Federal Project Officer evaluates recipient performance in the areas of reporting, fiscal activity and program outcomes. The certificate is ETA's final record of recipient sufficiency under the terms of the grant agreement.
11. Intellectual property – is identified as an intangible product, which has value as a commodity, including but not limited to trademarks, copyrights, patents and patent applications. Any products developed with grant funding must be submitted to the Department for collection and possible use by other grantees or the Department. ETA will assert its right to a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use all work created under the grant. (29 CFR 95.36)

12. Tax certification – the recipient must certify its compliance with Federal, State and local payroll taxes and forms.
13. Audit – the recipient must furnish evidence that it has complied with the Single Audit Act requirements.
14. Record retention – the recipient must furnish evidence of its ability to satisfy the Federal recordkeeping requirements. Federal regulations require that the recipient keep financial records, supporting documents, statistical records, and all other records created under the grant for three (3) years after your final financial status report has been accepted.
(29 CFR 95.53/29 CFR 97.42)

C. Documentation. The recipient must prepare and certify reports online. In addition, the recipient must transmit, to the Closeout Office, supplemental documents which serve as the basis for determining its fiscal and programmatic sufficiency under the terms of the grant agreement. These documents are to be prepared and submitted by the end of the 90-day closeout period, and depending upon whether the grantee is a governmental or non-governmental recipient, may include:

1. *Grantee's Release* – discharges the Federal government from further obligations under the grant agreement
2. *Grantee's Assignment of Refunds, Rebates and Credits* – assigns current or future refunds, rebates and credits to the Federal government
3. *Government Property Closeout Inventory Certification* – a certification that an attached property inventory list is complete and accurate, or that no property was acquired under the grant
4. *Grant Closeout Tax Certification* – a certification of compliance with Federal, State and local payroll taxes and forms
5. *Grantee Detailed Statement of Costs* – a comparison of budgeted to actual costs
6. *Closeout Financial Report* – a closeout document which establishes final amounts paid and expended under the grant. Match, program income and administrative cost are reported and evaluated in this document
7. Indirect Cost Rate Agreement and calculations, if applicable

5. What should the grantee have completed in preparation for and during closeout?

a) *No later than 90 days after the beginning of the grant period of performance*, the recipient will transmit to an indirect cost rate negotiator at its cognizant Federal agency a request to establish either an indirect cost rate agreement or a cost allocation plan. Alternatively, the recipient may determine not to charge indirect cost to the grant.

b) No less than *one year before the grant expiration date*, the recipient will transmit its final modification request for equipment procurement approval, if needed. Requests for equipment approval received with less than one year of remaining grant activity are deemed not in the best interest of the government.

c) No less than *30 days before the grant expiration date*, it is recommended that the recipient submit a modification request for a budget realignment, if needed, to bring the budget to within 20 percent of projected actual expenditures. During the closeout reconciliation, actual costs in excess of 120 percent of budgeted lines items are subject to disallowance. No flexibility is allowed with the salaries and fringe benefit line items without prior written approval from the Grant Officer.

d) *Before the grant expiration date*, it is recommended that the recipient include the following costs in either their approved indirect cost rate agreement or a cost allocation plan:

1. staff (administrative) costs to perform closeout activities, such as: processing of invoices, adjustment of expenditures, reconciliation, property inventory and preparation of final reports;
2. costs related to staff reductions such as: UI, severance pay, terminal leave, and miscellaneous costs related to health or life insurance, job search training and printing;
3. costs related to office closing, such as: lease or service contract terminations; and
4. costs related to audit and record retention (unless prepaid).

These costs are not allowable as direct charges to the grant after the grant expiration date.

e) *By the grant expiration date*, the recipient will have fulfilled all the terms of the grant agreement, especially with regard to performance outcomes, administrative cost limitations, and match requirements (if any).

f) By the grant expiration date, all financial reports must have been completed and submitted for acceptance. In addition, during the 90-day closeout phase, the **closeout financial report** must be submitted.

g) *During the 90-day closeout phase*, the recipient will liquidate (expend and pay) all obligations incurred under the award (29 CFR 95.28 & 71)

h) *During a 90-day closeout phase*, the recipient will work with the Closeout Resolution Specialist on closeout activities. The recipient will also certify the required closeout documents online and transmit, to the Closeout Office, the closeout documents listed

above and other supplementary material that may be requested, for example the indirect cost calculations, Indirect Cost Rate Agreement or Cost Allocation Plan.