DATE: July 15, 2019

TO: Los Angeles BusinessSource Center System

FROM: Daysi Hernandez, Chief Grants Administrator
       Economic Development Division

       Catherine Bondoc, Director
       Financial Management Division

SUBJECT: Directive No. 20-01
       FINANCIAL CLOSEOUT INSTRUCTIONS FOR FY 2018-2019

EFFECTIVE DATE:
This directive is effective on date of issue.

PURPOSE:
The purpose of this directive is to provide financial closeout instructions for all City of Los
Angeles (City) service providers and contractors (professional services) for the period
ended June 30, 2019. These instructions are applicable to the Los Angeles BusinessSource
Center System.

BACKGROUND:
City contracts provide that the final financial closeout package must be submitted to the
Economic and Workforce Development Department (EWDD) Financial Management
Division (FMD) within a set number of days (mostly 15 or 20 calendar days) following the
period being closed or expiration of the contract. However, these deadlines may change as
the City receives reporting instructions from federal, state, and local grantors.

This directive sets forth the official deadlines for the submission of the final financial
closeout report and other required related schedules and supporting documentation for the
period ended June 30, 2019 and supersedes the closeout deadline provided for in City
contracts, if different.
POLICIES AND PROCEDURES:
A. CLOSEOUT TIMEFRAMES/DEADLINES:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>June 30, 2019</td>
<td>Last day to incur expenditures. Expenditures beyond this date are not allowable.</td>
</tr>
<tr>
<td>August 9, 2019</td>
<td>Deadline for submission of Final Closeout package.</td>
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<tr>
<td>August 15, 2019</td>
<td>Last day to liquidate or pay all expenditure accruals.</td>
</tr>
<tr>
<td>August 15, 2019</td>
<td>Deadline for submission of Schedule of Expenditure Accruals – Status Update.</td>
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These deadlines were established to allow FMD to meet financial reporting deadlines. Therefore, no extensions will be granted.

B. REQUIRED REPORTS AND DOCUMENTATION
1. Final Closeout Package

A complete Final Closeout package must be submitted on or before the deadline stated in Section A above. This package must include the following:

- Cover Letter,
- Cash Request (CR),
- Expenditure Report (ER),
- Attachment to Expenditure Report,
- Schedule of Personnel Costs,
- Schedule of Expenditure Accruals (see Attachment #1),
- General Ledger (GL) and Reconciliation with ER,
- Bank and Cash Account Reconciliation (for accounts used for City funds),
- Refund Check payable to "City of Los Angeles - EWDD" (if applicable), and
- Closeout Forms: (see Attachment #2)
  - Subrecipient Release Form,
  - Subrecipient's Assignment of Refunds, Rebates, and Credits, &
  - Contract Closeout Certification.

An incomplete closeout package will not be processed. If a Final Closeout package is not submitted by the deadline, the last CR and ER submitted will be
2. **Schedule of Expenditure Accruals - Status Update**
   A status update on the Schedule of Expenditure Accruals submitted with the Final Closeout package is due on or before **August 15, 2019**. Columns G, H, and I of the schedule must be filled out.

   If any of these expenditure accruals do not materialize, a Revised Final Closeout package and a refund check, if applicable, must also be submitted.

3. **Submission Instructions**
   The Final Closeout package must be sent to the address below:

   Economic and Workforce Development Department  
   Financial Management Division  
   Attn: George Chacko  
   1200 West 7th Street, 6th floor  
   Los Angeles, CA 90017

   An electronic copy must also be emailed to george.chacko@lacity.org, and LABusinessSourceAdmin@lacity.org.

C. **EXPENDITURES:**
   1. **Final Expenditures:**

   The Final Closeout reports must reflect the cumulative and final expenditures for the period. These are used by FMD as basis to close grants or to determine unexpended savings reprogrammed for the subsequent program year (19-20). Therefore, since funds may no longer be available, no additional expenditures will be allowed after the Final Closeout report is submitted to and accepted by FMD.

   The total final expenditures reported must reflect both cash and accrued expenditures incurred during the contract period. Expenditures incurred by June 30, 2019 but not paid as of June 30, 2019 are considered “accruals” and must be included in the Expenditure Report and listed in the **Schedule of Expenditure Accruals**. These accruals must be liquidated (i.e., paid) by July 31, 2019. An update on the status of these accruals must be submitted by August 9, 2019. If any accruals do not materialize, a Revised Final Closeout package must be submitted to reflect the reduction in expenditures and return of unused cash.
2. **Unliquidated Obligations**

Unliquidated obligations are funds obligated, but for which goods or services have not been received or an accrued expenditure has not been recorded. Therefore, any unliquidated obligations as of June 30, 2019 are **not** accruals and must not be reported in the final closeout report as such. These unliquidated obligations are considered unexpended balances or savings.

D. **UNEARNED GRANT**

Any remaining unexpended cash received from the City that is in excess of the total final expenditures is considered unearned grant and must be returned promptly to the City.

E. **INDIRECT COST RATE**

Indirect costs may be recovered if an indirect cost rate was approved by the indirect cost federal cognizant agency (for direct federal grant recipients), by EWDD FMD or if the use of a 10% *deminimis* rate had been requested and approved.

If the indirect cost rate was provisional, a final rate must be requested within six months after the end of the fiscal/calendar year used. If the final rate is higher than the provisional rate, please note that funds will not be available to cover the additional indirect costs. On the other hand, if the final rate is lower than the provisional rate, the indirect cost must be recalculated and any overpayment must be returned to the City within thirty days after receipt of the final rate.

F. **INCOME**

Program income is the income received that is directly generated by the City’s programs or earned as a result of the City contract during the contract period. If approved by the City, program and/or interest income may be expended first before using grant funds. Any remaining unexpended program and/or interest income must be returned to the City, together with the Final Closeout package.

G. **STAND-IN COSTS**

Stand-in costs are costs incurred for the program but paid for with non-federal sources. They may be used to *substitute* disallowed costs if they meet the following criteria:

- Must have been incurred in the same period as the costs that they are proposed to replace;
- Must not cause a violation of the administrative and/or other cost limitations;
- Must be recorded in the official books of accounts; and
- Must be reported in the Expenditure Reports (Section B, Line #6) submitted to the City. **The Final Closeout 2019 report will be the last opportunity to report stand-in costs for FY 18-19.**
The City will not accept stand-in costs that do not meet these criteria.

H. UNCLAIMED OR OUTSTANDING CHECKS:

When one or more checks remain unclaimed or outstanding, the State’s escheat law, as currently outlined in the State Controller’s Office (SCO) Unclaimed Property Reporting Handbook at http://sco.ca.gov/Files-UPD/guide upd updlaw.pdf must be followed. However, an unclaimed or uncashed check determined not due to a payee must be voided and canceled and the funds returned to the City within 30 days.

I. CREDITS AND OTHER ADJUSTMENTS:

Applicable credits such as rebates, discounts, refunds, and overpayment adjustments, as well as interest earned on any refund, rebate, dispute or overpayment adjustment applicable to the City must be credited as a reduction of final closeout expenditures reported to the City if received on or before August 15, 2019. Credits and adjustments received after August 15, 2019 must be returned to the City within 30 days after receipt.

J. AUDITS AND FISCAL REVIEWS:

Annual audit cycles must be completed in accordance with 2 CFR 200-Subpart F: Audit Requirements and the City Contract Sec.608. The Single Audit reports are due no later than nine months after the end of the fiscal/calendar year used. Non-completion of the Single Audit automatically puts a subrecipient on "audit sanction" (i.e., no cash will be released), effective the day the Single Audit report is delinquent and until the final, official Single Audit report is filed.

Please resolve any outstanding fiscal review and/or Single Audit findings as soon as possible or by July 31, 2019.

The City reserves the right to audit post closeout, require supporting documentation for reported expenditures, disallow costs and recover funds on the basis of these audits or fiscal reviews.

FMD will utilize and implement the required reports, schedules, documentation and all applicable policies under this Closeout Directive as part of its fiscal review process for FY 18-19. The FMD Auditor reviewing the Final Closeout report may request additional supporting documentation for selected items of payroll and non-payroll costs --- e.g., payroll time records and registers, invoices, checks, vouchers, cost allocation spreadsheets, and/or other accounting records.

The Catalog of Federal Domestic Assistance (CFDA) identification requirement
applies to all EWDD subrecipients. Please refer to the FMD Information Bulletin 18-02, dated April 05, 2018 for a listing of the CFDA numbers for federal grants administered by the City.

K. REFUND CHECKS:
Refund checks resulting from excess cash, unearned grant, unliquidated accruals, unexpended program and/or interest income, disallowed costs, tuition refunds, rebates, and other applicable credits must be included in the Final Closeout package. Any refund due to the City received or determined after August 15, 2019 must be sent to the City within 30 days, together with a Revised Final Closeout report and a duly-signed cover letter identifying the appropriate City contract number, grant or funding source, and the reason(s) for the refund.

EWDD CONTACTS:
If you have any questions regarding this directive, please contact the following:

- George Chacko, george.chacko@lacity.org
- Yovana Perez, yovana.perez@lacity.org
- Nyssa Buck, nyssa.buck@lacity.org
- Jacqueline Rodriguez, Jacqueline.rodriguez@lacity.org

REFERENCES:

- EWDD FMD Directive No. 18-02: "Identification of Catalog of Federal Domestic Award (CFDA) and Federal Award Identification Number (FAIN)",