Research Administrators
Monthly Meeting
July 2019

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Preparing for an Audit
Agenda

1. Compliance - 5 W’s + How
2. Types of Audits
3. The Audit Process
4. Areas of Interest
Learning Objectives

At the end of this session, you will hopefully be able to:

▪ Understand the importance of compliance.
▪ Understand the importance of an audit and the different types of audits.
▪ Distinguish the responsibilities of the University, Principal Investigators, and Business Managers.
▪ Effectively prepare for an audit.
▪ Effectively communicate with the auditors.
Learning Objectives (cont.)

- Take appropriate measures to ensure compliance with Uniform Guidance, university policy, and other agency specific regulations.
- Identify and minimize compliance issues.
- Reference useful resources and websites.
Preparing for an Audit

Compliance – 5 W’s + How
Why?

When we accept an award, we:

- Agree to adhere to all of the terms, conditions, and guidelines.
- Have a fiduciary responsibility to spend the money in a reasonable and responsible manner.
- Must demonstrate adherence to the key cost principles (Reasonable, Allowable, Allocable, Consistent) for treatment of all costs.
Why? (cont’d)

If we do not comply, we could be subject to:

- More reporting
- Submitting additional support with reports/invoices
- Repayment of funds
- Loss of current and/or future funding
  - Individually
  - All investigators at the University
- Being assessed as a high risk institution
- Be breaking the law/legal sanctions
What?

- Compliance is the adherence to policies of the university, sponsor, and federal regulations.
  - Audits are a mechanism to test compliance

- This includes various areas such as:
  - Fiscal
  - Programmatic
    - Human Subjects
    - Conflict of Interest
    - Export Controls
    - Publications
    - Intellectual Property
Where?

- Compliance applies anywhere the work is being performed
  - On campus
  - Off campus
  - Internationally
  - Organizations we have subawarded $ (Subawards)
When?

- Compliance applies for the life of the award including:
  - Program income activity related to the award
  - Cost sharing
  - All expenditures/activity on the award
  - During No Cost Extension (NCE)
  - Pre-award costs
  - Trailing costs
Who?

- Those responsible for compliance are:
  - Principal Investigators
  - Departmental Administrators/Business Managers
  - Central Administration
Principal Investigators

- Are accountable for the scientific and/or technical aspects and scientific conduct of the sponsored award.

- Are responsible for the overall management of the award by:
  - Overseeing day-to-day management of the project’s activities.
  - Being aware of expenditures charged to the sponsored award.

- Ensure subaward monitoring is being documented.
  - Approve subaward invoices.

- Provide the required deliverables.
Department Administrators

- Understand the compliance requirements.
  - OBFS Policies and Procedures
  - OMB Uniform Guidance
  - Terms and conditions (T&C) of awards
- Identify questionable transactions/prevent problems.
- Record transactions appropriately.
- Implement and adhere to internal controls.
- Ensure subaward monitoring is being documented.
  - Approve subaward invoices.
- Assure complete and accurate recordkeeping.
- Protect the Principal Investigator (PI) and University.
- Contact GCO for any external sponsored award audits.
- Stay abreast of policy and regulation changes.
Central Administration

- Serves as the resource for:
  - Determination of allowable costs.
  - Appropriate accounting for transactions.
  - Interpretation of federal requirements—OMB Uniform Guidance.

- Monitor compliance and assist with troubleshooting regarding:
  - OBFS Policies and Procedures
  - OMB Uniform Guidance
  - Terms and conditions (T&C) of awards

- Develop and communicate sponsored project-related policies and procedures.
- Monitor external landscape.
How?

- Effective management of funds
- Evidence of proper internal controls to safeguard funds & property
- Avoidance of fraud and institutional mismanagement of funds
- Adhering to institutional policies, Uniform Guidance and T&C of the award
Cost Principles (OMB Uniform Guidance)

**Reasonable**
A prudent business person would have purchased this item for this price. (2 CFR 200.404)

**Allowable**
The cost must be reasonable, allocable, and consistently treated to be allowable. (2 CFR 200.403)

**Allocable**
It can be assigned to the activity on some reasonable basis. (2 CFR 200.405)

**Consistent**
Like costs must be treated the same in like circumstances, as either direct or F&A costs. (2 CFR 200.403)
Preparing for an Audit

Types of Audits
Single Audit (formerly A-133)

- Conducted annually
- Federal Compliance Section focuses on federal awards (direct or pass through)
- CliftonLarsenAllenLLP (CLA) was appointed as the University’s audit firm in 2015
- Focus of the Federal Compliance portion is compliance with Federal regulations (UG & FAR), internal controls and the Terms & Conditions (T&C) related to the management of your award
- University-wide at all Universities simultaneously
Sponsor / Agency Audits

- Conducted periodically as directed by the sponsor
  - Annually
  - At the beginning/end
  - On a cycle (every 3 years)
  - Never

- Reasons why these may be conducted:
  - Subrecipient monitoring/University’s Single Audit Findings
  - The sponsor or program guidelines requires an audit
  - Claims/Allegations
  - Publicity surrounding the University/Researcher/Program

- We regularly have audits conducted by the City of Chicago, IBHE, Head Start funded awards, RWHAP funded awards.
Programmatic Audit

- Entails no fiscal review, only programmatic aspects
- Conducted periodically
- Site visits at the sub recipient's location
- GCO is not usually involved much with these audits, however, we request a copy of any recommendations, reports, closeout letters/emails, etc.
Desk Review/Audit

- Conducted periodically
- Mostly conducted as a part of subrecipient monitoring
- Obtain and review supporting documentation from subrecipient for questionable costs.
- An invoice is usually selected for us to provide supporting documentation & submit via email.
- Conducted remotely at the auditor/sponsors office
Four Phases of An Audit

1. Notification of Audit
2. Audit Preparation
3. Conducting the Audit
4. Audit Closure & Follow Up
1. Notification of Audit

- Notification letter sent to the department
- Contact the Grants and Contacts office, Compliance team promptly (email: gcocompliance@uic.edu)
- If the audit requires an on-site visit, GCO will usually coordinate arranging a day/time.
- GCO-Compliance team requests selected transaction documentation from department if necessary.
- Compliance team gathers, reviews, and submits supporting documentation to auditors.
1. Notification of Audit (con’t.)

When in the presence of an auditor:

▪ Be truthful
▪ Only answer questions being asked
▪ Ask for clarification, if needed
▪ Please allow the Compliance team to review any documentation prior to providing to the auditors.
2. Audit Preparation

- Review audit checklist and/or documentation requested from the auditor.
- Review expenditures to ensure costs are RAAC and conform to T&C and the budget.
- Typically auditors select a sample of transactions (e.g., personnel & non-personnel).
- Compliance team will gather any available documentation within the University’s business applications.
- Be prompt in replying to requests
- GCO Compliance team typically compiles, reviews, and submits supporting documentation to auditors.
3. Conducting the Audit

- This may take place on or off-site
- This process varies from less than a day to months...and even years in some cases

When it’s conducted on-site there is often a(n):

- Entrance Conference
- Review of documentation requested
- Project or facilities visit/tour (occasionally)
- Exit Conference
4. Audit Closure & Follow Up

✓ Auditor sends report after the site visit which will usually note issues that need a response or request a Corrective Action Plan (CAP).

✓ The University is often provided an opportunity to respond to audit issues in order to avoid repayment of funds or CAP.

✓ CAP are often due within 30 to 45 days of receiving the closure letter and may require additional support.

✓ The Compliance team will provide or assist with any written responses and Corrective Action Plans.

✓ Auditor reviews response

✓ Closure letter sent to the department (sometimes)
Preparing for an Audit

Common Compliance Issues
Areas of Interest

- Payroll/Effort Reporting
- Grant Management & Routine Monitoring
- Departmental Activities
- Award/Sponsor Specific Trends
# Payroll/Effort Reporting

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<tr>
<th>Issue</th>
<th>Recommendation</th>
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<tbody>
<tr>
<td>Adhering to award requirements</td>
<td>Be aware of minimum effort requirement</td>
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<tr>
<td>Not spending effort according to proposed %’s</td>
<td>Revisit proposal before appointing/certifying</td>
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<tr>
<td>Tracking and reporting of salary-related cost sharing</td>
<td>Mandatory and voluntary committed effort must be tracked and reported (cost)</td>
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<tr>
<td>Sponsor salary caps</td>
<td>Re-visit regularly to ensure caps are adhered and adjusted for FTE, 9 vs. 12 month appointments, 0.0 FTE appointments</td>
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<tr>
<td>Frequent labor redistributions &amp; not recertifying effort</td>
<td>Do not use grant accounts as holding account; contact GCO-Compliance to determine if a recertification is necessary</td>
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<td>Planning for gaps in funding</td>
<td>Prepare for expiration of awards—UPDATE PAYROLL ALLOCATIONS PROMPTLY</td>
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# Grant Management & Routine Monitoring

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<tbody>
<tr>
<td>Reconciling at the end of the grant/budget period</td>
<td>Plan, review, and reconcile expenses</td>
</tr>
<tr>
<td>Unrelated or unallowable expenses charged to grants</td>
<td>Review…review…review</td>
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<tr>
<td></td>
<td>Remember the RAAC &amp; UG/</td>
</tr>
<tr>
<td>Monitoring expenditures against the budget &amp; budget categories;</td>
<td>Monitor regularly at the level required by the award T&amp;C (THIS MAY NOT BE</td>
</tr>
<tr>
<td>requesting rebudgeting/expenditure approval after expense is incurred</td>
<td>STANDARD FOR ALL OF YOUR AWARDS). Read and know your rebudgeting authority.</td>
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<tr>
<td>Sub-awards (both as prime and sub-awardee)</td>
<td>Adhere to sub-recipient monitoring guidelines</td>
</tr>
<tr>
<td>• Non-performance, non-payment, quality, and quantity of deliverables.</td>
<td>• Review expenses on invoices and ensure that deliverables are received from</td>
</tr>
<tr>
<td></td>
<td>subcontractor prior to payment.</td>
</tr>
<tr>
<td></td>
<td>• Pay according to terms of agreement.</td>
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## Departmental Activities

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<tr>
<td><strong>Departmental billing</strong></td>
<td></td>
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<tr>
<td>Invoiced amounts do not tie to <em>Banner</em></td>
<td>Invoices submitted must match <em>Banner</em> system</td>
</tr>
<tr>
<td>Copies not sent to GCO</td>
<td></td>
</tr>
<tr>
<td>• Not recorded in the system</td>
<td>Invoices should be sent to GCO for review, approval, recording, and collection</td>
</tr>
<tr>
<td>• Receivables understated</td>
<td></td>
</tr>
<tr>
<td><strong>Other activities</strong></td>
<td></td>
</tr>
<tr>
<td>Submission of progress reports and other deliverables</td>
<td>Be aware of all reports and deliverable due dates per award terms</td>
</tr>
<tr>
<td>Intra-University Agreements that are non-compliant</td>
<td>Should be reviewed by GCO for compliance prior to execution.</td>
</tr>
<tr>
<td>Consultant/Overload Payments that are unallowable</td>
<td>Must follow University and SPONSOR guidelines <em>prior</em> to starting work &amp; payment.</td>
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Award/Sponsor Specific Trends

▪ **Federal Awards:**
  - Subrecipient monitoring
  - Budget monitoring (line items, required sub-budgets, burn rates, prior approval etc.)
  - Late reporting (programmatic/fiscal)
  - Knowledge of sponsor, program & award guidelines

▪ **State & Private Awards:**
  - Late/Untimely billings
  - Budget monitoring (line items, prior approval, rebudgeting etc.)
  - Unbudgeted expenses that required pre-approval
  - Inaccurate payroll records/timesheets
  - Inaccurate subaward/contract invoicing

▪ **RWHAP Funding:**
  - Audited regularly (annually by pass-through agencies/every 3 years by HRSA)
  - Budget monitoring (line items, required sub-budgets, burn rates, etc.)
  - Managing & Reporting program income
  - Monitoring subawards
  - Knowledge of sponsor, program & award guidelines
Resources

❖ Office of the Vice Chancellor for Research
  ➢ http://research.uic.edu/

❖ University of Illinois – OBFS Policies & Procedures
  ➢ Section 16-Grants and Research
  ➢ https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts

❖ Uniform Guidance 2 CFR 200, Appendix XI Compliance Supplement 6/2019

❖ Terms and Conditions of your program and project
Questions?
Contact Us!

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