



OFFICE OF THE VICE CHANCELLOR
FOR RESEARCH

Research Administrators Monthly Meeting

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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 (**R**easonable, **A**llowable, **A**llocable, **C**onsistent) 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

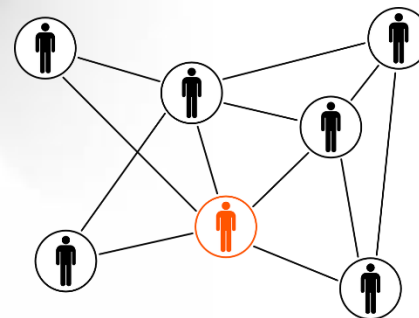
What?

- 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

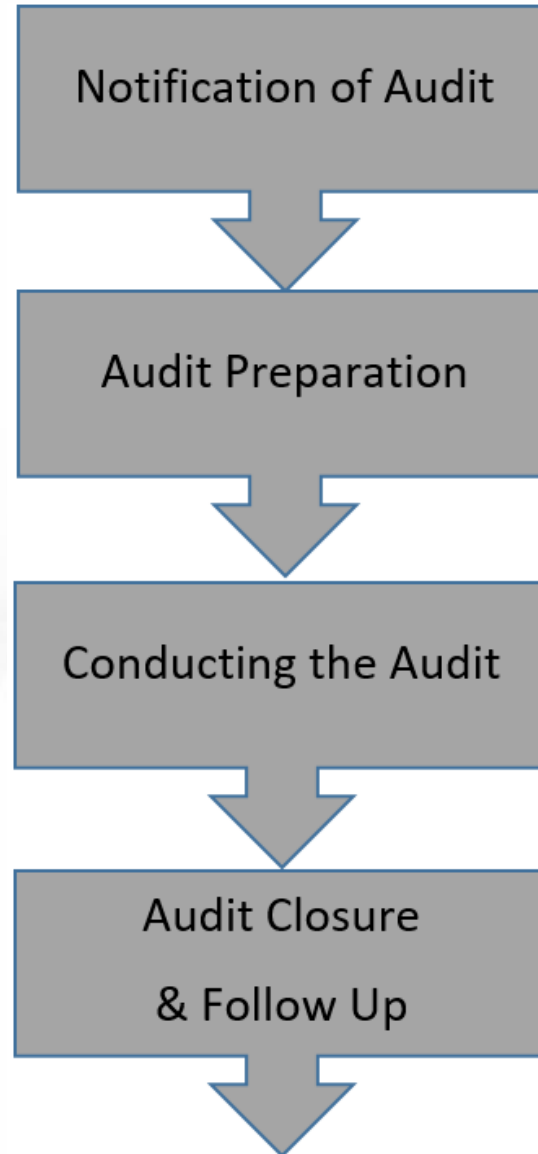
- Conducted periodically
- Mostly conducted as a part of subrecipient monitoring
- Obtain and review supporting documentation from subrecipient for questionable costs.
- An invoice is usually selected for us to provide supporting documentation & submit via email.
- Conducted remotely at the auditor/sponsors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



Preparing for an Audit

The Audit Process

Four Phases of An Audit



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 (occasional)
- 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

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

Grant Management & Routine Monitoring

Issue	Recommendation
Reconciling at the end of the grant/budget period	Plan, review, and reconcile expenses
Unrelated or unallowable expenses charged to grants	Review...review...review Remember the RAAC & UG/
Monitoring expenditures against the budget & budget categories; requesting rebudgeting/expenditure approval after expense is incurred	Monitor regularly at the level required by the award T&C (THIS MAY NOT BE STANDARD FOR ALL OF YOUR AWARDS). Read and know your rebudgeting authority.
Sub-awards (both as prime and sub-awardee) <ul style="list-style-type: none"> • Non-performance, non-payment, quality, and quantity of deliverables. 	Adhere to sub-recipient monitoring guidelines <ul style="list-style-type: none"> • Review expenses on invoices and ensure that deliverables are received from subcontractor prior to payment. • Pay according to terms of agreement

Departmental Activities

Issue	Recommendation
Departmental billing	
Invoiced amounts do not tie to Banner	Invoices submitted must match Banner system
Copies not sent to GCO <ul style="list-style-type: none"> • Not recorded in the system • Receivables understated 	Invoices should be sent to GCO for review, approval, recording, and collection
Other activities	
Submission of progress reports and other deliverables	Be aware of all reports and deliverable due dates per award terms
Intra-University Agreements that are non-compliant	Should be reviewed by GCO for compliance prior to execution.
Consultant/Overload Payments that are unallowable	Must follow University and SPONSOR guidelines <i>prior</i> to starting work & payment.

Award/Sponsor Specific Trends

■ Federal Awards:

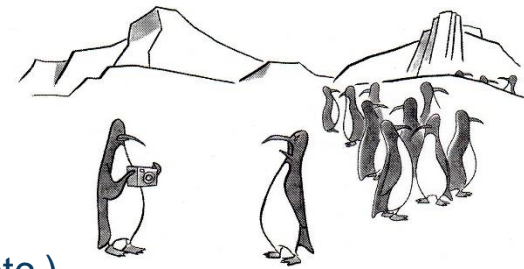
- Subrecipient monitoring
- Budget monitoring (line items, required sub-budgets, burn rates, prior approval etc.)
- Late reporting (programmatic/fiscal)
- Knowledge of sponsor, program & award guidelines

■ 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

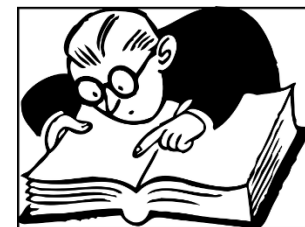
■ RWHAP Funding:

- 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



Leitchford

"Why on earth would you spring for color film?"



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**
 - https://www.whitehouse.gov/wp-content/uploads/2019/07/2-CFR_Part-200_Appendix-XI_Compliance-Supplement_2019_FINAL_07.01.19.pdf

- ❖ **Terms and Conditions of your program and project**

Questions? Contact Us!

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