Expense Review Process and Internal Controls for Award Closeout

Semi-annual Networking Event
February 2017

Kathy Mustea, Assistant Director Chicago
Frank Cutting, Senior Grant & Contract Financial Administrator (GCFA)
Jennifer Mitchell, Associate Executive Director

Closing Process

- Notification email (or by request)
- Reconciliation
  - FSP - Final Spending Plan
  - Transaction review & adjustments
- Reporting and final drawdown
  - Financial FFR (SF425)
  - Property, Inventions, Legal release and assignments
- Financial System Records Closed
  - $Budget = $Expense = $Revenue = $Reported
- Storage of closeout documents and files in OnBase
Compliant use of Grant Funds

- **Internal Controls**
  - Multi-level reviewers; each has an important role for Checks and Balances
- **Know what you are submitting/approving/certifying**
  - It can be charged there, but should it be?

**Diagram:**
- Dept.: Level 1, Level 2, PI
- School: Dean, Level 3
- Central: ASRSP, Accounting Services, Payroll, A/P

Internal Controls for Compliance Oversight

- Uniform Guidance – Focus on Internal Controls
- Definition (§ 200.61)
  - Internal controls means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
    - (a) Effectiveness and efficiency of operations;
    - (b) Reliability of reporting for internal and external use; and
    - (c) Compliance with applicable laws and regulations.
Internal Controls Requirements

- § 200.303:
  - **Must** maintain effective internal control over the federal award that provides reasonable assurance…
  - **Should** be in compliance with COSO and Standards for Internal Control in the Federal Government (the “Green Book”).
  - **Must** comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
  - **Must** take prompt action when non-compliance is identified
  - **Must** take reasonable measures to safeguard personally identifiable information and other information designated as sensitive

Audit Based on Internal Controls
– Example: NSF Data Analytics

- Salaries and wages
  - NSF 2-month summer salaries
  - Salaries vs. Effort
- Travel
- Procurement cards
- Supplies (office vs. lab)
- Equipment purchases
- Budget vs. expenses, burn rate
- Appropriate F&A rate
- Charges prior to pre-spending period and after award end date
Mitigating Compliance Risks...

<table>
<thead>
<tr>
<th>Institution</th>
<th>Date Settled/Agency</th>
<th>Issues</th>
<th>Audit or Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Louisville</td>
<td>2016/NIH</td>
<td>Salary transactions, general purpose equipment, office supplies, &amp; service center charges</td>
<td>Auditor estimated $1.3m unallowable transactions</td>
</tr>
<tr>
<td>Duke University</td>
<td>2009</td>
<td>Charging administrative/clerical costs and other direct costs (e.g., office supplies)</td>
<td>Auditor recommended $1.7m</td>
</tr>
<tr>
<td>Yale University</td>
<td>Dec 2008 / multiple agencies</td>
<td>Cost transfers, summer salary charges, effort reporting</td>
<td>$7.6 million</td>
</tr>
<tr>
<td>Cornell University's Weill Medical College</td>
<td>Jun 2005/NIH</td>
<td>Effort reporting, payroll distribution, cost allocation, double billing Medicaid</td>
<td>$4.38 million</td>
</tr>
<tr>
<td>The Mayo Clinic</td>
<td>May 2005/NIH, others</td>
<td>Cost allocation, cost transfers, inadequate accounting system</td>
<td>$6.5 million</td>
</tr>
<tr>
<td>Harvard University</td>
<td>Jul 2004/NIH</td>
<td>Government billed for salaries &amp; expenses unrelated to federal grants; self reported</td>
<td>$3.3 million</td>
</tr>
<tr>
<td>Northwestern University</td>
<td>Feb 2003/NIH</td>
<td>Institutional Base Salary; K award; certifier assignment</td>
<td>$5.5 million</td>
</tr>
</tbody>
</table>

Ongoing Compliance Oversight = Swift Closing

**Sound Internal Controls and mitigating audit risks:**
- Monthly project-level transaction review
- Setup accurate budgets and monitor performance
- Consider Cost Principles when approving anything
  - allowable- allocable- reasonable- consistent treatment
- Be aware of additional sponsor restrictions or requirements
- Create a Final Spending Plan with the PI
Check out our new….

Cost Allowability Guide!

- Handy desk reference when you approve transactions
- Comprehensive- covers most categories and conditions
  - Office supplies, meals, software, memberships, books
- Cost Allowability Guide is located at:
  - http://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html
  - Or pick one up on your way out!
- Always be 2 CFR 200 (Uniform Guidance) compliant

Reconciliation and Review

- Department Role

- Work with PI to create and follow a final spending plan
- Assure cost sharing commitments are met
- Identify & promptly remove unallowable expenses
- Confirm effort is certified
- Update %funding in myHR (move personnel to other chart strings as appropriate)
- Clear encumbrances
- Redirect recurring charges
- Confirm submission of PI deliverables (technical reports, etc.)
Reconciliation and Review
-ASRSP/Cost Studies Role

ASRSP
• Review compliance with financial terms and conditions
• Document cost sharing and recognized revenue
• Review transactions; advise you of invalid / possibly unallowable expenses; work with you to address them
• Transfer remaining funds if CT or FP award
• Invoice or draw final funds from sponsor
• Prepare and submit final financial/property reports & other required closing documents
  • Note: patent certification and submission responsibility will vary by sponsor

Cost Studies (Effort Coordinator)
• Assure exempt payroll is backed by certified effort reports; notify you of effort issues; work with you to address them

Collaborative Efforts
• Computing Device Justification Form
  • Developed with Chicago Campus Departments
    • For use when Feinberg School of Medicine (FSM) Chartstrings involved
• Sponsored Project Purchase Justification Form
  • Developed with Evanston Campus Departments
  • Can be used for computers and other items
• Multiple Project Expense Allocation Form
  • Developed with Evanston Campus Departments
  • A great tool to help guide allocation across projects
• Next up: a new version of the Closing Checklist for Departments
Question 1

• A PI is organizing a seminar session and would like to provide lunch for attendees.
  – Under what circumstances is this allowable?
  – What could make it unallowable?
Question 2

• A researcher is registering for a conference and there is a higher fee for non-members; however an option to purchase a membership is available
  – What things should we be considering?

Question 3

• You are submitting or approving a request for a service contract on a large piece of capital lab equipment
  – What things should we be considering?
Last One!

• You are submitting or approving a request for a powerful new computer.
  – Would it be important that it was mentioned in the award proposal budget narrative?
  – Would it matter if a NRSA award is involved?
  – What would you attach to make the approval process go faster?

Thank You!