

Top 10 Risks in Grant Financial Compliance

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Overview

- ❑ Institutional Fiscal Requirements
- ❑ Challenges to University Compliance
- ❑ Top Ten Audit and Compliance Risks
- ❑ Consequences of Noncompliance
- ❑ Other Risks of Noncompliance
- ❑ On the Horizon

Institutional Fiscal Requirements

- Purpose: To provide awareness of Institutions responsibility to meet federal cost accounting standards and to comply with federal regulations in order to transact business with federal agencies. The Federal government wants assurance and verification that College/Universities expends federal awards efficiently and effectively.

Institutional Fiscal Requirements

- ❑ The Disclosure Statement (DS-2) is a document that explains (fiscal roadmap) how the University performs its cost accounting practices. The federal government wants to know how the University treats direct & indirect costs, comply with Cost Accounting Standards (CAS), and that institutions actually follows these disclosed practices.
 - DS-2 provides formal guidelines for:
 - ❑ Charging direct & indirect costs
 - ❑ Tracking & reporting cost sharing
 - ❑ Tracking & reporting time & effort
 - ❑ Accounting for Service Centers
- ❑ Required by Office of Management & Budget (OMB) Circular A-21.
- ❑ Without an approved DS-2 future federal funding is at risk.

Challenges to University Compliance

- ❑ Challenges of policy/procedure Implementation:
 - Provide adequate justification to document exceptions for indirect cost type expenditures on Federal projects.
 - Ex. Computer to perform statistical data analysis required for project rather than for checking email and reading journals.
 - Provide justification to explain and document cost transfers.
 - Ex. All transfers to/from restricted accounts must provide explanation detailing the specific charge and relation to grant.
 - PI signature on cost transfers in accordance with Institutional Policies and Procedures.
 - Timely certification of Effort reports.
 - Ensuring accountability and fiscal integrity of Expenses.
 - Ex. Department charges basic telephone costs (an indirect type cost) directly to federal projects.
 - Adequate and timely documentation of committed Cost sharing
- ❑ Lack of participation in faculty and departmental training.

Top Ten Audit and Compliance Risks

Source: Huron Consulting

- ❑ Cost Transfers
- ❑ Effort Reporting
- ❑ Subrecipient Monitoring
- ❑ Direct Charging of Administrative Costs
- ❑ Charging Costs at End of Grant Period
- ❑ Appropriate Cost Charging
- ❑ Recharge Centers / Service Center Rates
- ❑ Fixed Price Agreements
- ❑ Financial Status Reports
- ❑ Mandatory Cost Sharing

Consequences of Noncompliance

❑ Nationally (Lessons learned from other Universities)

- Improperly certified effort certifications is the #1 audit finding.
- Undocumented cost-transfers to Federal awards
- Overall compliance stemming from individual Federal audits and annual A-133 audits.

❑ Fines and Penalties

- Northwestern - \$5.5 Million
- Johns Hopkins - \$2.6 Million
- Harvard University - \$3.3 Million
- Florida International University - \$11.5 Million
- University of Alabama-Birmingham – \$3.39 Million

Other Risks of Non-Compliance

- ❑ Disallowance of costs
- ❑ Published Audit findings
- ❑ Greater audit oversight
- ❑ Adverse affects on Facilities & Administrative rate negotiations
- ❑ Loss of future funding
- ❑ Loss of University credibility

On the Horizon

- Compliance audit reviews in the verification of awarded and certified effort.
- Increasing number of federal desk reviews and audits.
- Tougher A-133 compliance supplements and audits.
- Greater emphasis placed on SAS112
 - Substantially increases policy and procedural documentation of institutions internal control processes.
 - Lowers the bar on audit findings. An inappropriate or disallowed charge may result in findings regardless of materiality of charges.