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ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS



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September 24-28, 2023 Loews Miami Beach Hotel • Miami Beach, FL



What Auditors Need to Know about Sponsored Programs

Presenters:

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Learning Objectives

- Learn key financial management principles that govern sponsored awards
- Explore the specific requirements for sponsored program financial management
- Best practices for audit planning, execution, & reporting related to sponsored awards



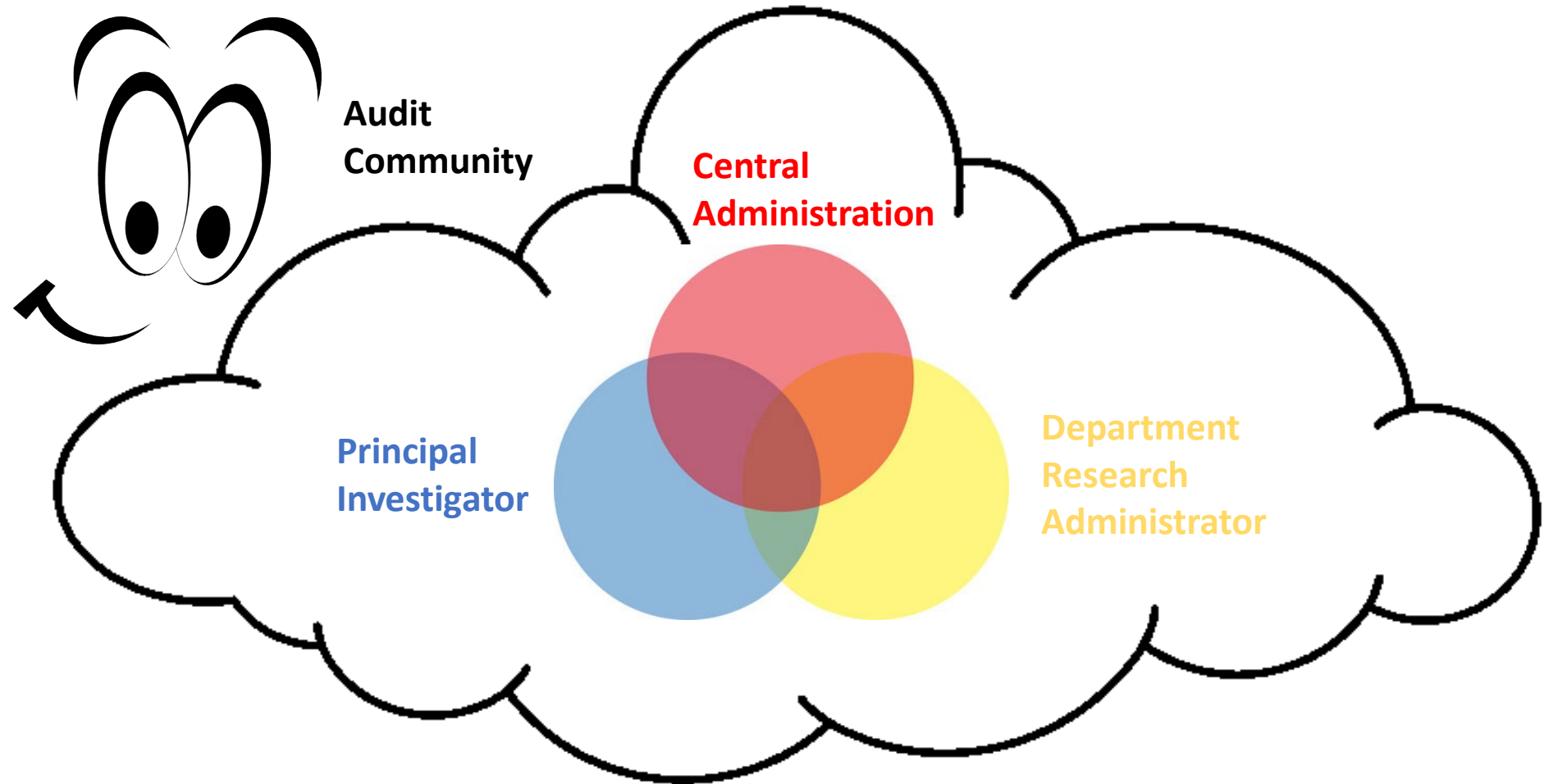
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Who Are the Players?





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Roles & Responsibilities



Principal Investigator (PI)

Scientific & technical aspects of the sponsored project
Technical conduct
Compliance matters
Reports



Department Research Administrator (DRA)

Documents expenditures, including factors determining allowability
Reconciles sponsored awards to ensure expenses have been appropriately allocated
Assist PI with award closeout
Non-technical documentation keeper



Central Administration

Representative of grantee organization for proposals & awards
Signature official
Complies with all applicable assurances & certifications
Attests that all information contained in applications are true, complete, & in conformance with sponsor & institutional requirements
Prepares/submits sponsor reports
Participate in project audits
Closeout award
Liaison between PI, DRA, & Sponsor



Audit Community

Provide assurance

- Sponsors (Single Audit, award-specific audits)
- Recipients (financial statement audits, internal audits)

Investigate fraud, waste, & abuse

- Office of Inspectors General

Provide Input on Standards

- Compliance Supplement Development

Advise on regulations & best practices



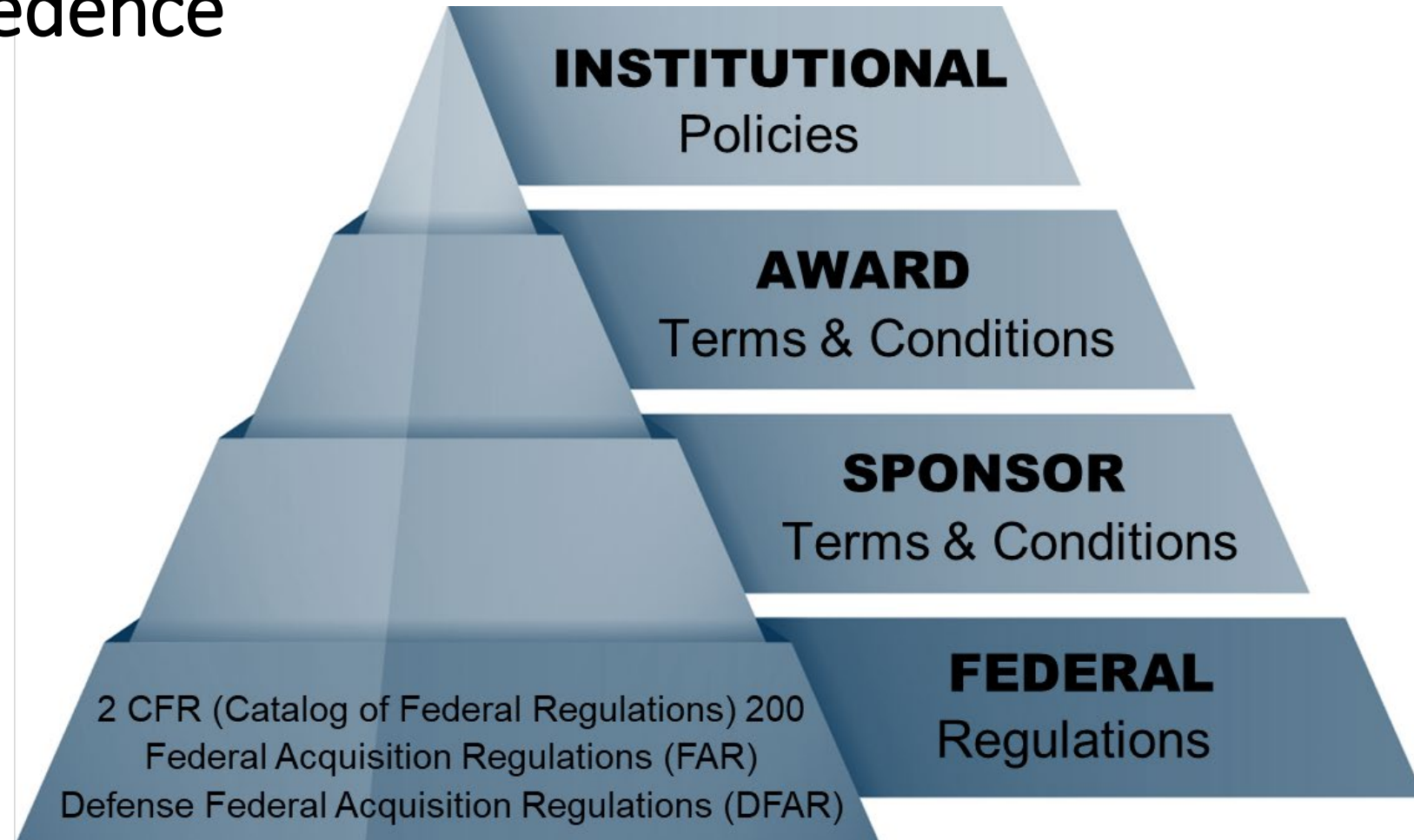
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Order of Precedence





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OMB Uniform Guidance (UG) as a Standard

- Formally the UG applies to federally funded activities as identified in §200.101
 - Grants
 - Cooperative Agreements
 - Contracts (some components)
 - Other activities (i.e. loans, guarantees, insurance)
- Often used for a standard for most all awards
- Used in this program as a teaching





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Key Uniform Guidance Areas – CAS Compliance (§200.419)

- An Institution of Higher Education (IHE) that receives aggregate Federal awards totaling \$50 million or more in Federal awards subject to this part in its most recently completed fiscal year must comply with the disclosure and standards below (Student Financial Aid (SFA) not included per UG):
 - **CAS 501:** consistently follow its established cost accounting practices when estimating (proposal costs), accumulating (incurred costs) and reporting costs;
 - **CAS 502:** consistently allocate costs incurred for the same purpose, in like circumstances, as either direct or F&A costs as they relate to the final cost objective
 - **CAS 505:** identify and exclude unallowable costs from proposals and claims
 - **CAS 506:** consistently use the same cost accounting period for purposes of estimating, accumulating and reporting costs.



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Factors Affecting the Allowability of Costs (§200.403) must:

Allowable

- Costs that are not prohibited by federal regulations or the specific grant/contract (**§200.403**)

Reasonable

- Costs that reflect what a prudent person would pay (**§200.404**)

Allocable

- Costs are charged to sponsored project in proportion to the relative benefit received (**§200.405**)

Treated Consistently

- Like costs in similar circumstances (either direct or indirect) should be treated the same (**§200.413**)



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Governance of Direct Costs

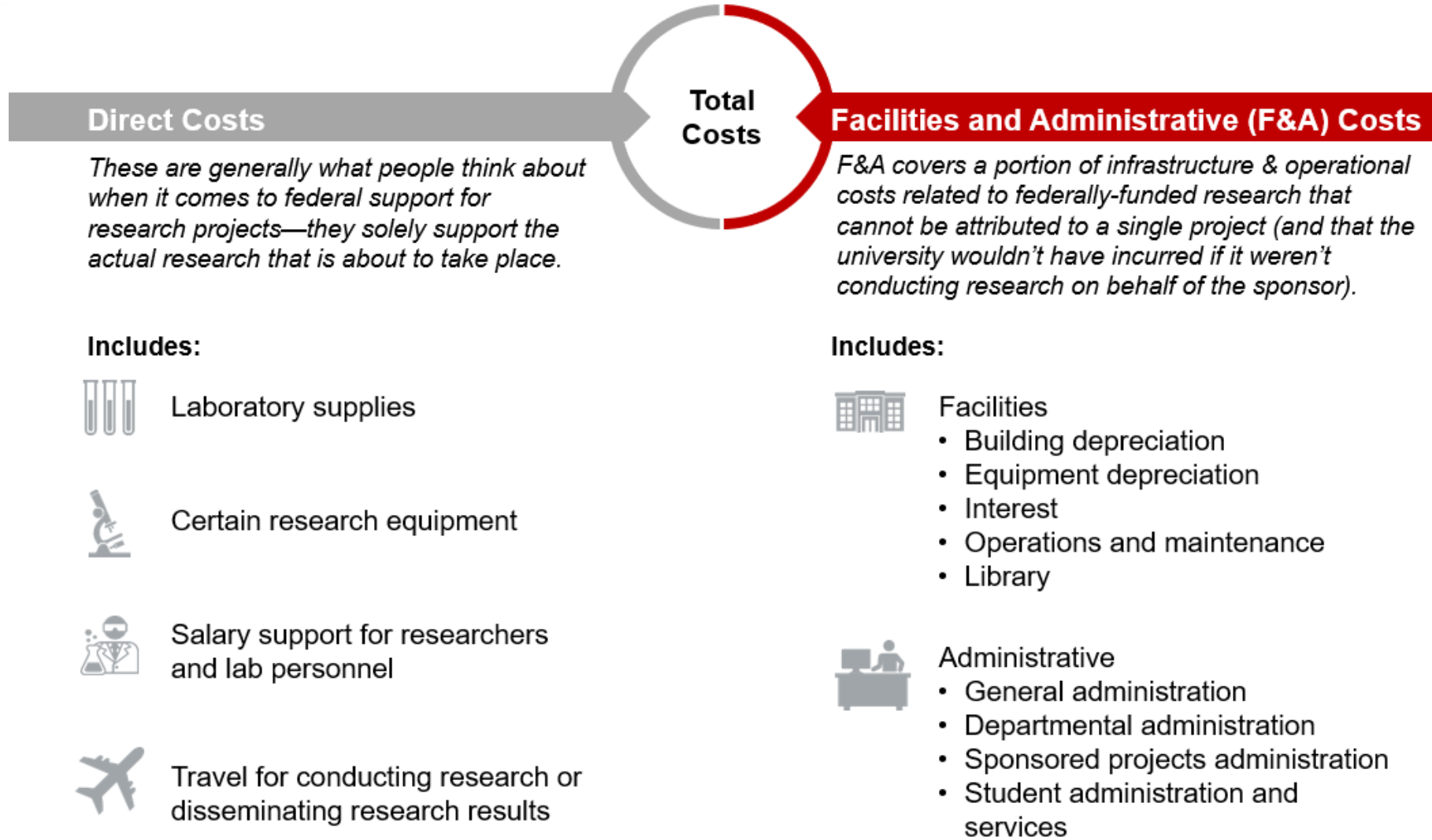
- Be **necessary** and **reasonable** for the performance of the award and be **allocable** thereto
- **Conform** to these **principles** or in the **award**
- Be **consistent** with **policies** and **procedures** that apply uniformly to both federally-financed and other activities
- Be accorded **consistent treatment**. A cost is either **direct** or **indirect** cost when for the same purpose in like circumstances
- Be determined in accordance with **generally accepted accounting principles (GAAP)**
- **Not included** as a cost or cost sharing **on another award**
- Be **adequately documented**



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How to Prepare and Survive: The best defense is an offense

Assess financial and non-financial areas of risk:

- Financial
 - Transaction thresholds 25K > *
 - Travel
 - Services Center charges
 - Computing Devices
 - Frequent cost transfers (lack of internal controls)
 - Financial data completeness in the system of record
- Non-Financial
 - Onboarding and Offboarding – access to systems with sensitive data
 - Compliance with institutional policies: financial and operational
 - PHI protections
 - ITS Risks: cloud services that are not managed locally – ie: AWS



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Key Areas of “Red Flag” Sponsored Activities

- Cost Transfers – A necessary evil
- Financial Reporting – Perils & Pitfalls
- Prior Approvals – T&Cs are the Bible
- Special Considerations
- Federally Unallowable (FUN) – It’s ALWAYS grey





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Best Practices

- Sponsored Projects/Research Administration is its own microcosm within any College/University. Do not make assumptions or generalizations with other accounting rules.
- It's OK to ask questions. Asking for clarification leads to understanding.
- Seek continuous education. Great research administrators do.
- Be cognizant of the scope of any sponsored projects review. While it all ties together in some manner, a relevant scope provides a good snapshot of specific processes and possible areas of improvement.
- Keep an open line of communication with the research administrators at your institution. They will be more willing to seek you out if they find an issue.
- Audits can become uncomfortable and even combative at times. Patience is a virtue. In the end we all want the same thing..... compliance!
- “Internal auditors are our friends.” An institution would much rather find & course correct internally before an outside auditor does. Teamwork makes the dream work!





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