Compliance Basics

Presented by:

LaShawnda Hall
Maureen Johnson

OBFS Grants and Contracts
Overview

• Background Information
• What is Compliance
• Common Compliance Issues
• Roles and Responsibilities
• Current Issues & Recommendations
Learning Objectives

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

• Take appropriate measures to ensure compliance with the requirements the Office of Management and Budget (OMB) Circulars, university policy, and other agency specific regulations.

• Identify roles and responsibilities of the University, Principal Investigators, and Business Managers as related to sponsored award administration.
Learning Objectives (cont.)

• Ensure that proper internal controls and sponsor guidelines are in place.

• Identify common compliance issues.

• Reference useful resources and websites.
Compliance Basics

BACKGROUND INFORMATION
Institutional Responsibility

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 principle (Reasonable, Allowable, Allocable, Consistent) for treatment of all costs.
Cost Principles (OMB Circular A-21)

**Reasonable**
A prudent business person would have purchased this item for this price.

**Allowable**
The cost must be reasonable, allocable, and consistently treated to be allowable.

**Allocable**
It can be assigned to the activity on some reasonable basis.

**Consistent**
Like costs must be treated the same in like circumstances, as either direct or F&A costs.
FY12 Award Setups, FSRs, & Closeouts

- Set Ups: 2938
- Financial Status Reports: 808
- Closeout & Terminate: 1062
Changes in Federal Landscape

• We monitor changes made by Congress and evaluate impacts to research.

• We review revisions to the OMB Circulars and its impact to the management of sponsored awards and single audit.
## Learning Activity One

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<td>Goods or services acquired and amount involved reflect an action a prudent person would have taken.</td>
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Compliance Basics

WHAT IS COMPLIANCE
What is Compliance?

Compliance is the adherence to policies of the university, sponsor, and federal regulations.
What is Compliance?

Being Compliant Suggests:

• Effective management of funds
• Evidence of proper internal controls to safeguard funds & property
• Avoidance of fraud and institutional mismanagement of funds
Importance of Compliance

Risks for the Institution:

• Repayment of funds
• Loss of current and/or future funding
• Compromise expanded authorities
• Compromise institution’s reputation
• Could be breaking the law
Importance of Compliance

Risks for the Institution (cont.):

• Unfavorable Audit:
  • High-risk auditee
  • Increased monitoring and oversight
  • Changes in processes and procedures
  • Loss of funding
  • Time loss
Learning Activity Two

Which Circular sets the standards to test compliance for the annual single audit?

A. OMB Circular A-21
B. OMB Circular A-122
C. OMB Circular A-133
D. OMB Circular A-110
Common Compliance Issues
Common Compliance Issues

• Lack of knowledge and understanding of OMB circulars, sponsors guidelines, and university policies

• Restricted funds spent on unallowed/unauthorized goods or services

• Improper or lack of supporting documentation for expenses and required matching dollars

• Payroll is based on budget figures instead of actual time worked
Common Compliance Issues (cont.)

- Staffing programs with “contractors” to avoid paying employee taxes
- Lack of understanding of roles and responsibilities of institutional staff
- Inadequate staff training and education
- Out-of-date or nonexistent policies and procedures
- Inadequate resources
Compliance Issues Specific to UIC

• Lack of adequate supporting documentation
  • Missing property management records—missing work papers and equipment not properly tagged
  • Tracking and documentation of cost shared obligations and expenditures
  • Supporting documentation for reports/bills prepared by department
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ROLES & RESPONSIBILITIES
Roles and Responsibilities

Principal Investigators:

- Are accountable for the scientific and/or technical aspects and scientific conduct of the sponsored award.
- Oversee day-to-day management of the project’s activities.
- Make budget allocation decisions.
- Are aware of expenditures charged to the sponsored award.
- Provide the required deliverables.
Roles and Responsibilities (cont.)

Business Managers:
- Understand the compliance requirements.
  - OBFS Policies and Procedures
  - OMB Circulars A-21, A-110, and A-133
  - Terms and conditions of awards
- Identify questionable transactions/prevent problems.
- Record transactions appropriately.
- Implement and adhere to internal controls.
- 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.
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Roles and Responsibilities (cont.)

Compliance Unit - Grants and Contracts:

• Serves as the resource for:
  • Determination of allowable costs.
  • Appropriate accounting for transactions.
  • Interpretation of federal requirements—OMB Circulars A-21, A-110, A-133.

• Monitor compliance and assist with troubleshooting.
• Manage A-133 audit and other external audits.
• Develop and communicate sponsored project-related policies and procedures.
• Mitigate risk by conducting exception reporting regularly.
• Monitor external landscape.
## Learning Activity Three

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Compliance Basics

CURRENT ISSUES/OBSERVATIONS
Current Issues/Observations

What are the most recent potential audit issues?

- People and effort
- Grant management and routine monitoring
- Overdrafts
- Questionable spending patterns
## People and Effort

<table>
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<th>Issue</th>
<th>Recommendation</th>
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<tr>
<td>Adhering to K award requirements</td>
<td>Be aware of minimum effort requirement</td>
</tr>
<tr>
<td>Not spending effort according to proposed %’s</td>
<td>Revisit proposal before appointing/certifying</td>
</tr>
<tr>
<td>Tracking and reporting of salary-related cost sharing</td>
<td>Mandatory and voluntary committed effort must be tracked and reported (cost)</td>
</tr>
<tr>
<td>Bi-weekly staff paid from grants</td>
<td>Use Web Time Entry to approve time for biweekly staff working on grants</td>
</tr>
<tr>
<td>Frequent labor redistributions</td>
<td>Do not use grant accounts as holding account</td>
</tr>
<tr>
<td>Planning for gaps in funding</td>
<td>Prepare for expiration of awards</td>
</tr>
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# Grant Management & Routine Monitoring

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<tr>
<td>Hurry up spending at the end of the grant</td>
<td>Plan, review, and reconcile expenses</td>
</tr>
<tr>
<td>Unrelated expenses charged to grants</td>
<td>Review…review…review</td>
</tr>
<tr>
<td></td>
<td>Remember the RAAC</td>
</tr>
<tr>
<td>Cost overruns throughout the life of the award</td>
<td>Budget what is needed for the project and spend accordingly</td>
</tr>
<tr>
<td>Huge problems with 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 subcontractor prior to payment.</td>
</tr>
<tr>
<td></td>
<td>• Pay according to terms of agreement</td>
</tr>
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Grant Management & Routine Monitoring (cont.)

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<tr>
<td>Lack of documentation</td>
<td>Documentation includes:</td>
</tr>
<tr>
<td>All business transactions related to</td>
<td>• Receipts</td>
</tr>
<tr>
<td>sponsored projects must be documented,</td>
<td>• P-Card statements</td>
</tr>
<tr>
<td>including:</td>
<td>• E-mails</td>
</tr>
<tr>
<td>• Maintenance of equipment</td>
<td>• Thorough transaction descriptions</td>
</tr>
<tr>
<td>• Cost sharing</td>
<td>• Invoices</td>
</tr>
<tr>
<td>• Changes to key personnel</td>
<td>• Proof of inventory review</td>
</tr>
<tr>
<td></td>
<td>• Some record of PI and/or Business Manager approval</td>
</tr>
</tbody>
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## Overdrafts

<table>
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</tr>
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<tbody>
<tr>
<td>Overdraft...overdraft...overdraft!</td>
<td>Spend Only What You Have!</td>
</tr>
<tr>
<td>• Budget vs. expense</td>
<td>• Spend within approved budget</td>
</tr>
<tr>
<td>• Cash vs. budget</td>
<td>• Spend within line items for per award terms</td>
</tr>
<tr>
<td>• Cash vs. expense</td>
<td>• Review ledgers to ensure continuation or supplemental budget is not missing</td>
</tr>
</tbody>
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### Cash Is King!
- Pay attention to these terms:
  - “…payment upon deliverable…”
  - “…final invoice due within _ days”
## Questionable Spending Patterns

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<tr>
<td>Cost incurred after the award period</td>
<td>Stop spending after project end date</td>
</tr>
<tr>
<td>Allocation of expenses to various awards</td>
<td>Do not use grant accounts as “holding/clearing” accounts</td>
</tr>
<tr>
<td>Excessive cost transfers</td>
<td>Review/reconcile expenses on a regular basis</td>
</tr>
<tr>
<td>Available funds paradigm</td>
<td>Charge only project-related costs, not based on how much money is available</td>
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UIC – Journal Voucher Entries on Sponsored Awards
FY09 – FY12
UIC – Journal Voucher Entries on Sponsored Awards by Period FY09 – FY12
## Departmental Activities

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<tr>
<td><strong>Departmental Billing</strong></td>
<td></td>
</tr>
<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>Invoices should be sent to GCO for review, approval, recording, and collecting purposes.</td>
</tr>
<tr>
<td>• Not recorded in the system</td>
<td></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>Work on projects before fully executed agreement in place</td>
<td>Request anticipation account; ensure project begin date is correct on the final contract.</td>
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Current Activities – GCO

• Increasing frequency of communications related to compliance issues
• Developing cost sharing guidelines
• Developing subrecipient monitoring guidelines
• Continuing to monitor the following:
  - Lump sum payments
  - Tuition differentials
  - Labor redistributions
  - Unallowable costs
  - Termination payouts
  - Cost transfers
Resources

- Office of Management and Budget (OMB) Circulars
- National Science Foundation (NSF)
- National Institutes of Health (NIH)
- UIC Office of Research Services (ORS)
- UIC Grants and Contracts Office (GCO)
- OBFS Policies and Procedures - Section 16
Questions? Contact Us!

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C. OMB Circular A-133
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