

Compliance Basics

Presented by:

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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

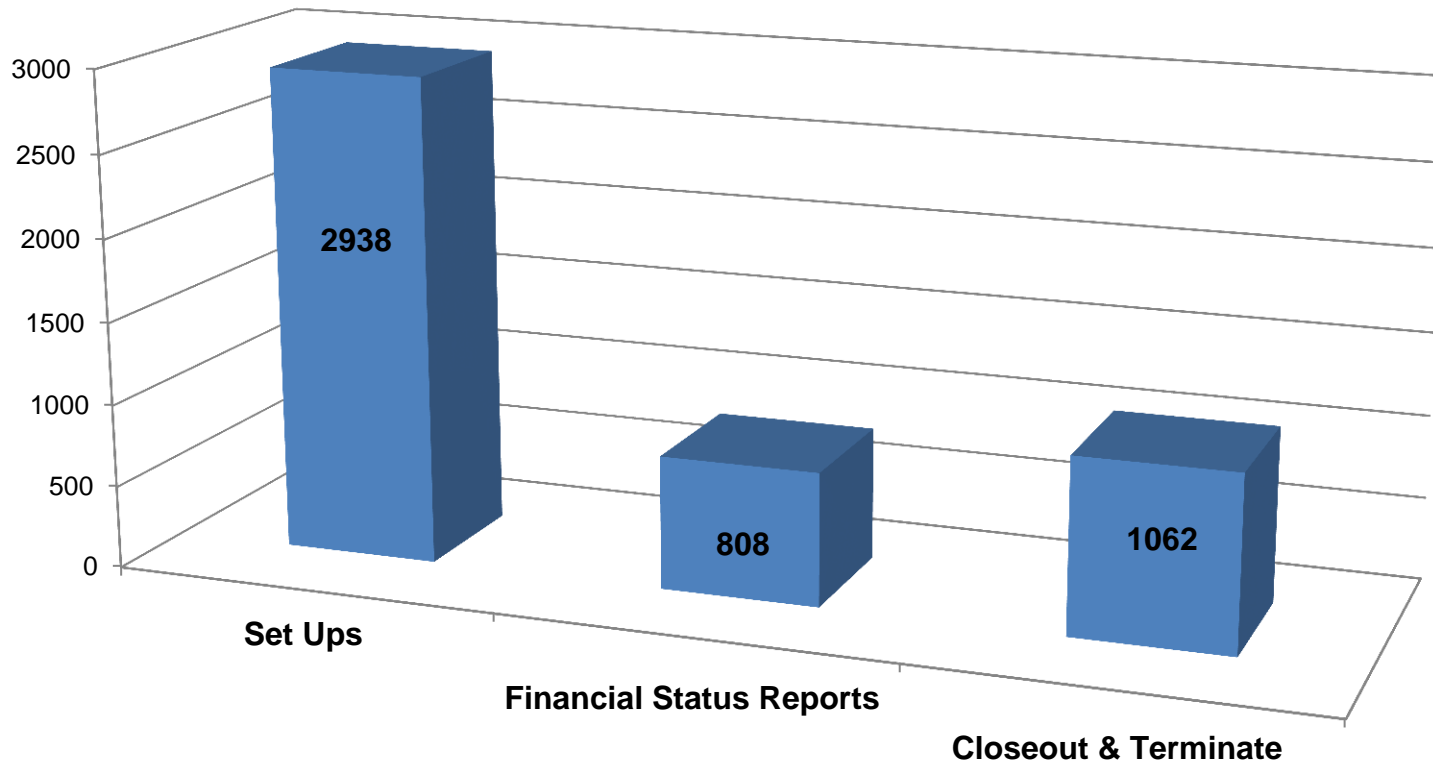
When we accept an award, we:

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



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

Term	Definition
1. Reasonable	Benefits the project or award that was charged.
2. Allocable	Items not restricted by federal regulations or the specific grant/contract.
3. Allowable	Like costs in similar circumstances need to be charged directly or indirectly at the institution.
4. Consistent	Goods or services acquired and amount involved reflect an action a prudent person would have taken.

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

Compliance Basics

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

Compliance Basics

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.

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

Role	Responsibility
1. Principal Investigator	Implement and adhere to internal controls.
	Make budget allocation decisions.
2. Business Manager	Stay abreast of policy and regulation changes.
3. GCO – Compliance	Monitor compliance and assist with troubleshooting.
	Are aware of expenditures charged to the sponsored award.
	Assure complete and accurate recordkeeping.

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

Issue	Recommendation
Adhering to K 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)
Bi-weekly staff paid from grants	Use Web Time Entry to approve time for biweekly staff working on grants
Frequent labor redistributions	Do not use grant accounts as holding account
Planning for gaps in funding	Prepare for expiration of awards

Grant Management & Routine Monitoring

Issue	Recommendation
Hurry up spending at the end of the grant	Plan, review, and reconcile expenses
Unrelated expenses charged to grants	Review...review...review Remember the RAAC
Cost overruns throughout the life of the award	Budget what is needed for the project and spend accordingly
Huge problems with 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

Grant Management & Routine Monitoring (cont.)

Issue	Recommendation
<p>Lack of documentation</p> <p>All business transactions related to sponsored projects must be documented, including:</p> <ul style="list-style-type: none">• Maintenance of equipment• Cost sharing• Changes to key personnel	<p>Documentation includes:</p> <ul style="list-style-type: none">• Receipts• P-Card statements• E-mails• Thorough transaction descriptions• Invoices• Proof of inventory review• Some record of PI and/or Business Manager approval

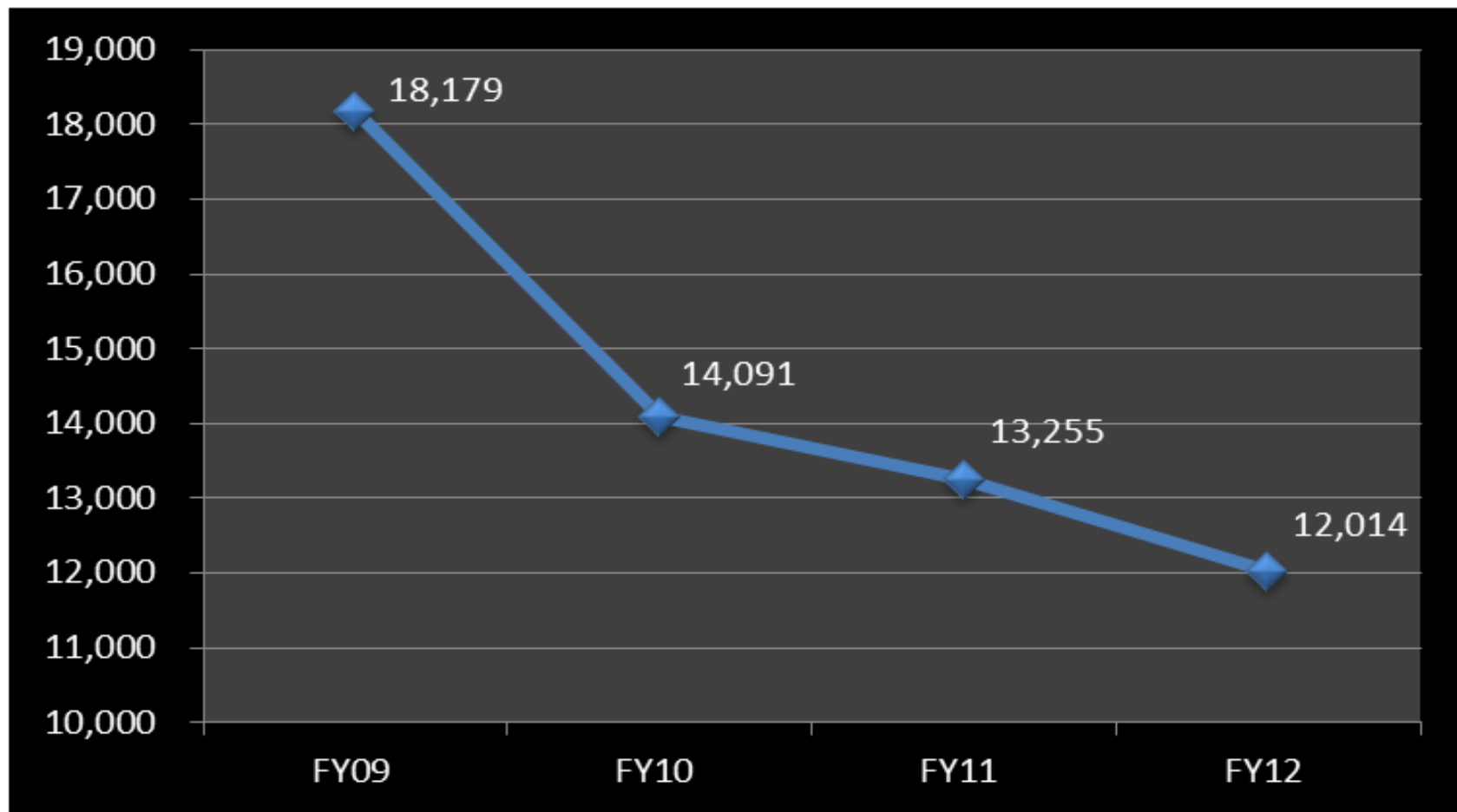
Overdrafts

Issue	Recommendation
<p data-bbox="112 468 937 521">Overdraft...overdraft...overdraft!</p> <ul data-bbox="112 549 705 778" style="list-style-type: none"><li data-bbox="112 549 705 606">• Budget vs. expense<li data-bbox="112 635 705 692">• Cash vs. budget<li data-bbox="112 721 705 778">• Cash vs. expense	<p data-bbox="994 464 1709 521">Spend Only What You Have!</p> <ul data-bbox="994 535 1806 906" style="list-style-type: none"><li data-bbox="994 535 1806 592">• Spend within approved budget<li data-bbox="994 606 1806 706">• Spend within line items for per award terms<li data-bbox="994 735 1806 906">• Review ledgers to ensure continuation or supplemental budget is not missing <p data-bbox="994 921 1342 978">Cash Is King!</p> <ul data-bbox="994 992 1806 1178" style="list-style-type: none"><li data-bbox="994 992 1806 1178">• Pay attention to these terms: “...<i>payment upon deliverable</i>...” “...<i>final invoice due within _ days</i>”

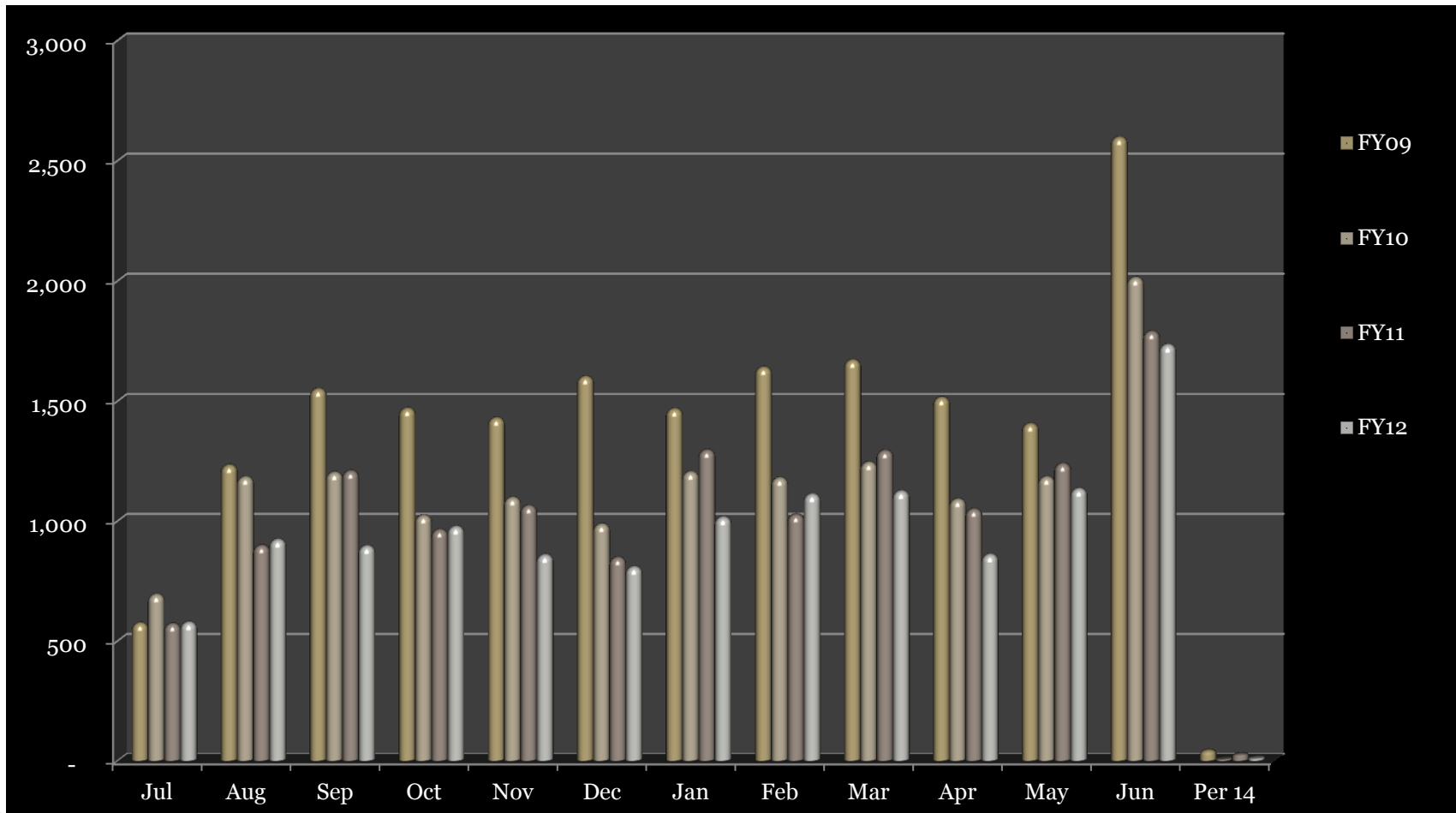
Questionable Spending Patterns

Issue	Recommendation
Cost incurred after the award period	Stop spending after project end date
Allocation of expenses to various awards	Do not use grant accounts as “holding/clearing” accounts
Excessive cost transfers	Review/reconcile expenses on a regular basis
Available funds paradigm	Charge only project-related costs, not based on how much money is available

UIC – Journal Voucher Entries on Sponsored Awards FY09 – FY12



UIC – Journal Voucher Entries on Sponsored Awards by Period FY09 – FY12



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 collecting purposes.
Other Activities	
Submission of progress reports and other deliverables	Be aware of all reports and deliverable due dates per award terms.
Work on projects before fully executed agreement in place	Request anticipation account; ensure project begin date is correct on the final contract.

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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Learning Activity One

Term	Definition
1. Reasonable	2 Benefits the project or award that was charged.
2. Allocable	3 Items not restricted by federal regulations or the specific grant/contract.
3. Allowable	4 Like costs in similar circumstances need to be charged directly or indirectly at the institution.
4. Consistent	1 Goods or services acquired and amount involved reflect an action a prudent person would have taken.

Learning Activity Two

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

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 - B. OMB Circular A-122
 - C. OMB Circular A-133
 - D. OMB Circular A-110
- C. OMB Circular A-133**

Learning Activity Three

Role	Responsibility
1. Principal Investigator	<p>2 Implement and adhere to internal controls.</p>
	<p>1 Make budget allocation decisions.</p>
2. Business Manager	<p>2 Stay abreast of policy and regulation changes.</p>
3. GCO – Compliance	<p>3 Monitor compliance and assist with troubleshooting.</p>
	<p>1 Are aware of expenditures charged to the sponsored award.</p>
	<p>2 Assure complete and accurate recordkeeping.</p>