

# Expense Review Process and Internal Controls for Award Closeout

Semi-annual Networking Event  
February 2017



## 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...

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

### 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



## 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

### Bookmark This Page!

<http://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html>

## Question 1

## 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?