

F&A Considerations

F&A costs are real costs!

- F&A cost recovery is the reimbursement for actual costs incurred by the institution in support of sponsored projects
- F&A costs are incurred on all institutional activities, not just sponsored research
- A significant portion of F&A costs are not recovered

Factors that can affect the rate

- The F&A rate tends to go UP when there is investment in new research facilities or when facilities costs are increasing at a faster rate than research funding
- The F&A rate tends to go DOWN when research expenditures are increasing at a faster pace than infrastructure costs
- For institutions over the cap, increases in the F&A rate are not the result of increased administrative costs (a common misconception often held by faculty!)

Disclosure Statement

Educational institutions with \$50 million or more in Federally sponsored agreements per fiscal year required to file.

Disclosure Statement (DS 2) submitted to Federal cognizant agency.

Must file amendments when disclosed practices are changed.

Cost adjustments shall be made if an educational institution fails to consistently follow its disclosed practices.

Managing Projects – Prepare for an Audit



Audit Requirements

Uniform Guidance 2 CFR 200 Subpart F

- Establishes audit requirements for state and local governments and other non-profit organizations receiving Federal funds
- Supplement issued periodically
- Defines federal responsibilities for implementation and monitoring such requirements

Requirements

- Institutions expending \$750K or more a year in federal awards require an audit
- Institutions expending less than \$750K are exempt from annual audit but still subject to review
- Audits shall normally be performed annually but some exceptions (e.g., program-specific audits) allowed if not less frequently than every two years

Responsibilities

- Cognizant Agency (for recipients expending more than \$50 million a year in federal awards)
- Oversight Agency (for recipients expending less than \$50 million a year in federal awards)
- Auditor
- Recipient (including subrecipients)

Scope of Audit and Audit Objectives

- Financial - in accordance with Generally Accepted Government Auditing Standards (GAGAS)
- Compliance Reviews



Summary – Audit Tips

Anticipate that you will be audited and document, document, document

Remember “you won’t remember three years from now” rule

Get all audit requests in writing

Schedule entrance conference with all appropriate departments/individuals

Talk to departments involved about the audit and what to expect during it

Through exit conference discuss details of problem areas and findings

Respond to all findings and implement plan to correct problem areas

Close out audit report with agency/sponsor

Only answer the questions asked of you and answer them honestly



Managing Projects – Prepare for an Audit

- **Scope: Expenditures on federal awards for FY**
 - Provide a list of all federal awards that closed (Close date is within 90 days of end of the award during FY and that ended during FY 2017 but closed after 8/31/17 our Fiscal Year End.
- **Sample sizes are determined by auditor**
 - Focuses on following areas
 - Control Narratives – Narrative of the control processes to set-up, manage, closeout and prepare financial reports for awards identifying “key controls” for the auditors to audit against.
 - Subawards – request a sample
- **Direct Costs – Sample of 50 transactions (25 Labor and 25 non-labor)**
 - provide source documentation – vendor invoice
 - copy of Notice of Award from sponsor for that covers current FY,
 - documentation of award set-up from Financial System to verify start and end dates, funding amount and other financial terms that we have controls in Financial system to manage awards
 - For payroll charges provide copy of expenditure listing showing cost, copy of salary letter to employee to verify actual salary rate and effort certification showing percent of effort charged X salary rate = amount charged for that pay period
- **Cost transfers Select sample size of 25 (mix of labor and non-labor about 50/50)**
 - to verify institution is following their own defined policies for preparing, documenting and approving cost transfers. Also what do you define as a late cost transfer and what extra steps/approvals do you have in place



Managing Projects – Prepare for an Audit

- Cost Sharing – Provide a listing of awards that have cost sharing commitments
Mandatory – reportable and non-reportable AND Voluntarily offered in proposal but now is required to document in financial system
 - Has a separate account been established to capture those costs
 - Is cost sharing account tied to the main award in financial system and how
 - Detailed listing of expenses that meet the requirements of cost sharing (Could be charged to main award)
 - If reportable, copy of financial report (Federal Financial Report (FFR) showing cost sharing expenses budgeted and charged
- Reporting – Sample of 25 awards from Closed award list provided above
 - Copy of Agency NOA for 1st year of award/segment, NOA for final year of award
 - Copy of Financial Report Usually FFR)
 - Copy of expenditure listing from financial system tying out expenses recorded with those reported



Managing Projects – Prepare for an Audit

- Special Terms and Conditions (which specific T&C to audit is up to auditor (Our Auditor (PriceWaterhouseCoopers) has settled on Key Personnel
 - Sample size 25 awards with “Key Personnel” specifically called out in Notice of Award. Not PI unless PI is specifically called out as Key Personnel and not just PI
 - Must provide NOA identifying all KP
 - Provide copy of final budget from proposal highlighting salary and % of effort for KP
 - listing of salary/effort charged either directly or indirectly to verify at least 75% of promised effort was met
- Period of Performance Selection of awards reviewed to verify expenditures reported were incurred during the award period of performance
- Other analysis to verify financial system is working accurately
 - Test salary rate charged agrees with salary letter rate
 - Test that fringe benefit rates charged are those approved by cognizant agency
 - Test to verify correct F&A rate is being applied and charged



Questions?



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