



SOCIETY OF
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Audit-Proofing Your Portfolio: Strategies for Research Admin Success

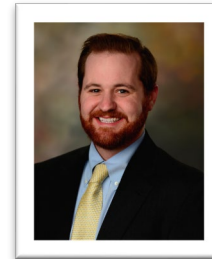
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Attain Partners

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Introduction

- **John Hedberg**

- Attain Partners, 3 years
- Dauphin Island Sea Lab, 1 year
- Auburn University, 2 years
- University of South Alabama, 3.5 years



- **Amanda Seymour**

- Mississippi State University, 7 years
- The University of Southern Mississippi, 7 years
- Attain Partners, 3 years
- Mississippi State University, 1+ Year



Objectives

- Objective 1: Discuss practical ideas that can reduce risk right away if implemented
- Objective 2: Approach audits with more confidence and look at them as opportunities

Agenda

- Where does audit risk come from?
- Proposal & Award Setup: Front-Loading Compliance
- Managing the Award: Controls that Matter
- Central and Departmental Offices: Managing Shared Risk
- The SEFA and Single Audit
- Summary and Wrap-up

Poll Question

➤ What is your current role regarding audits?

1. I oversee and direct all audits for my institution
2. I assist with audits for my institution by compiling documentation and assist with responses
3. I assist with audits for my institution by compiling documentation but do not assist with responses
4. I do not currently assist with audits but interested in the general topic of audits in the research administration profession

Where does Audit Risk Come From?

- How audit risk develops across the award lifecycle
 - Risk can develop when policies and procedures do not translate to the practicality of research administration
 - Do not make policies or procedures too extreme or restrictive that will be difficult to maintain
 - Avoid using absolute statements/verbiage (Always, Must, Never)
 - Working in silos across research administration and other central office functions (Pre-award vs. Post-award vs. Research Security vs. Research Security vs. Procurement vs. Payroll, etc.)
 - No cross-training, shared communication, collaboration on how decisions made in one area can push risk to another area
 - Making decisions on the pre-award side and not communicating or sharing the back-up documentation with the post-award side

Where does Audit Risk Come From?

- **Isolated errors vs. systemic control weaknesses**
 - Is staff trained to look for differences between true mistakes vs potential procedural or process weaknesses?
 - Example-does the system allow users to change a journal voucher routing for cost transfers?

- **Patterns auditors notice (repeat issues, weak documentation, unclear roles)**
 - Are duties clearly defined and split? Are there layers of approvals?
 - Is your institution centralized or decentralized?
 - Does each department have their own documentation requirements, or is this mandated by the central office?
 - Do different positions process transactions vs. approving them?
 - Do central offices verify signatures?

Where does Audit Risk Come From?

- Does your staff know to look for patterns of non-compliance?
 - If salary transfers are done too often, start tracking by department to look at trends and patterns. Are they only doing them to spend down funds, or was there high turnover and the department truly had some issues?

- Do the same type of transactions have the same documentation, or inconsistent documentation?
 - Again, centralization vs decentralization can naturally create risk with consistency.
 - Even if your institution is decentralized, all units should be following consistent procedures and processes.

Poll Question

- Thinking about your institution, where do you think the most risk lies?
1. Over restrictive policies and procedures
 2. Issues arising as a product of working in silos across research administration and other central office functions
 3. Knowing there are systemic weaknesses and not addressing them
 4. Staff responsible for reviewing/approving documentation not aware of risk concerns and implications
 5. Inconsistency across various areas (documentation, procedures, etc.)
 6. Subaward monitoring

Proposal & Award Setup: Front-Loading Compliance

- Effort commitments and realistic planning
 - Personnel is often the largest expense category in research budgets
 - Completing a proposal budget with effort (hitting the budget ceiling)
 - 40-hour work week (easier for PI to conceptualize work during proposal)
 - Cost sharing effort in the proposal

Proposal & Award Setup: Front-Loading Compliance

- Budget decisions that create downstream problems
 - Accurately predicting the award needs during the proposal
 - Be particularly mindful of expenses categories involved in MTDC
 - Rebudgeting costs into or out of expense categories affect IDC can create budget shortfalls

Proposal & Award Setup: Front-Loading Compliance

- Award setup as a control point—not a data entry step
 - This is the opportunity to inform participants of project requirements that might ding you on an audit
 - Post Award reporting, contractual terms, PI and other personnel requirements
 - Format a stock email and create a PDF outlining requirements
 - Invoicing requirements (required documents)
 - Reporting requirements
 - Subaward management

Proposal & Award Setup: Front-Loading Compliance

- Documenting judgement calls early
 - Document, document, document!
 - Gives and auditor perspectives on how and why a decision was made
 - Documentation establishes the timeline

Managing the Award: Controls that Matter

- Monitoring effort
 - Quarterly effort certification
 - Email confirmation from personnel confirming effort before allocating to projects
- Cost Transfers: What raises flags and what doesn't?
 - Last 60 days of an award
 - Moving expenses onto awards, transferring salary, bulk supplies and/or equipment, travel, etc...
 - Over 90-days cost transfers are always a red flag
 - Inadequate systems and lack of checks and balances
 - Transfers between externally funded projects

Managing the Award: Controls that Matter

- Handling corrections and late discoveries appropriately
 - Don't panic, "There is nothing a JV can't fix!"
 - Document, document, document. If something is wrong and cannot be fixed internally, communicate to sponsor explaining the situation.
 - Be transparent. GMS's want you to be successful in grant management
 - Auditors aren't "out to get you"
 - Self-disclosure is key
 - Never be dishonest or lie by omission

Managing the Award: Controls that Matter

- When and how to escalate concerns
 - If you are at the department level, escalate to your central office anytime something is wrong with effort, multiple cost transfers, etc.
 - Institutional processes
 - Sometimes what may seem like a huge issue at the department level is not that big of a problem at the central level.

Central & Departmental Offices: Managing Shared Risk

- Where breakdowns typically occur
 - Communication
 - Training
- Clarifying responsibility without duplicating effort
 - Organization charts
 - Policies/matrices determining roles and responsibilities
 - Segregation of duties (processing, reviewing, approving)

Central & Departmental Offices: Managing Shared Risk

- Communication practices that reduce audit exposure
 - Town Halls on sponsor updates
 - Email communication from central office on institutional changes
- Turning handoffs into checkpoints
 - Maintaining appropriate follow-up based on level of risk
 - Example: Construction

The SEFA and Single Audit

⦿ § 200.508 Auditee responsibilities.

The auditee must:

- (a) Arrange for the audit required by this part in accordance with § 200.509, and ensure it is properly performed and submitted in accordance with § 200.512.
- (b) Prepare financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510.
- (c) Promptly follow up and take corrective action on audit findings. This includes preparing a summary schedule of prior audit findings and a corrective action plan in accordance with § 200.511(b) and (c), respectively.
- (d) Provide the auditor access to personnel, accounts, books, records, supporting documentation, and any other information needed for the auditor to perform the audit required by this part.

The SEFA and Single Audit

- SEFA = Schedule of Expenditures of Federal Awards
- Reports expenditures only, not what the institution receives in awards
- Drives the Single Audit scope
- Reports on expenditures:
 - By ALN (old CFDA)
 - Pass-through entity
 - Must tie to general ledger
 - Payments to subawardees
- Strong Sefa = Smoother Audits

The SEFA and Single Audit

- A single audit is required for entities expending \$1,000,000 or more in federal funds in a fiscal year
- The SEFA is used for ALN expenditure reporting
 - More Expenditures = More Sample Selections
- Focuses on high-risk and major programs
- Tests internal controls and compliance requirements
- Findings often reflect process gaps, not just mistakes
- Includes both central and departmental activities
- Finalized audits are uploaded to the Federal Audit Clearinghouse

Poll Question

- If an auditor asked for documentation tomorrow, how prepared would you feel?
1. Very prepared
 2. Mostly prepared
 3. Somewhat prepared
 4. Not prepared
 5. Depends on the award

Key Takeaways and Summary

- Ensuring you are audit ready starts before the award is received!
- Don't over restrict your policies and procedures.
- Most issues can be fixed, be transparent and honest.
- Address gaps in policies and procedures as you find them.
- Cross train central staff across functional areas
 - Make sure grant office has seat at the table
- Train departmental staff on documentation and timelines

Questions?

Contact us!



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