Research Administration Practices (RAP) Sessions

Financial Review Tips and Resources
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Agenda

- Introductions/Overview
- Sample DLC Financial Review Process
- FRC Application Tips
- MIT Audit: what do they look for?
DLC FINANCIAL REVIEW PROCESS

Review the four cost principles listed below:

Cost Principles

MIT follows four cost principles. The cost must be (1) allowable, (2) allocable, (3) reasonable, and (4) consistent. Though these principles may change depending on the project, they must be used to determine whether the costs are appropriate for a sponsored project. The rules for allowability are based on the cost principles in the Code of Federal Regulations (eCFR).

1. A cost is allowable when:
   - It serves an Institute business purpose, including instruction, research, and public service
   - It is permissible according to MIT policy and federal regulations, regardless of whether it is a sponsored project
   - It is permissible for a sponsored project according to the terms and conditions of the sponsored agreement

2. A cost is allocable:
   - For a sponsored project when the cost provides “benefit” to the project
   - For a gift when it corresponds to the intent of the donor

3. A cost is reasonable if a prudent person would purchase the item at that price. Determine whether a cost is reasonable by considering whether:
   - The cost is necessary for the performance of the activity
   - Incurrence of the cost is consistent with established Institute policies and practices

4. A cost is consistent when like expenses are treated in the same manner under like circumstances. For sponsored projects, consistency means that sponsors pay for costs either as a direct charge or as a Facilities and Administrative (F&A) cost, not both directly and indirectly. The Institute establishes policies that, if followed, ensure consistency.

Scan and review monthly Summary Statement, Detailed Transaction Report, and EDACCA for the following transactions:

UNALLOWABLE EXPENSES

- The federal government will not allow for the reimbursement of the following expenses:
  - Alcoholic beverages
  - Entertainment
  - Certain travel costs, such as first-class travel or foreign travel

EDACCA

- Review employees or students charged to the EDACCA against forecasts/projections to determine if salaries, stipends, and tuition are correctly charging based on previously approved allocation by the PI, supervisor, or sponsor.

- There may be expiring appointments and graduate awards, or delays in the next year of research funding, which may result in salary, stipend, or tuition to default and charge to the DLC Payroll Suspense Cost Object. During your FRC determine why a salary, stipend, or tuition amount that posted in the previous month has not posted or why it may have charged to another cost object.
DLC FINANCIAL REVIEW PROCESS

TRAVEL

• Review travel charges to determine if traveler is an employee or student and charged to the cost object(s) referenced on the Travel Expense Report or is contributing effort to the project (e.g. graduate student on a NIH Training Grant working on a research project).

• Determine if the sponsor allows travel and/or foreign travel.

• Determine if unallowable expenses (e.g. meeting expense) are correctly charged to a discretionary cost object and not to a research grant.
MAJOR EQUIPMENT

- Review the budget and sponsor award to determine if Major Equipment was budgeted in the proposal and approved by the sponsor.

- Some sponsors allow the re-budgeting of funds for Major Equipment and it may need the sponsors prior approval. Review the Notice of Award (NOA).

- Normally, Major Equipment is used on multiple research projects. Therefore, the costs should be allocated between the research projects based on the budgets, sponsor awards, and/or determined by the Principal Investigator (PI) and documented.

- Major Equipment normally should not be purchased within the last 6 months of a research grant, unless approved or allowed by the sponsor, which should be documented.
Computing devices (< $5,000) can be direct charged to a federal award if they are essential and allocable, even if they are not solely dedicated, to the performance of the federal award.

I would suggest that you determine the user of the computing device(s) and document their effort on the research project.

OSP has the Uniform Guidance’s answer to computing devices http://osp.mit.edu/grant-and-contract-administration/sponsored-programs-basics/ombs-uniform-guidance/procurement-1
DLC FINANCIAL REVIEW PROCESS

RECURRING, MISSING, UNUSUAL EXPENDITURES

• I would suggest that you review and determine if you have recurring monthly expenditures that have not charged (e.g. Animal Care Expenditures) or unusually large expenditures (e.g. copying) that have charged. Investigate further as there may have been an error in a journal voucher, which will need to be corrected.

COMMITMENTS

• As you finalize your Monthly Financial Review and Control, you should determine if there are any outstanding commitments, which may result in an overrun or an underspent research project:

• Purchase Orders – may need to be liquidated/cancelled or the invoice may need to be obtained from the vendor to process for payment.

• Travel Reports, T-Cards, P-Cards, and RFP’s – may be outstanding and pending further action to process and charge the appropriate cost object(s).
Objectives of the FRC Application

• Provide guidance & set minimum standards on what transactions should be reviewed during monthly FRC process

• Eliminate need for printed Summary Statements & DTRs as main method for performing FRC

• Eliminate need for paper ‘sign-off sheet’

• Provide an electronic, easy to query database that will track if a financial review was conducted by the DLC

• Provide details of the related financial review to auditors, if required
High-Risk Transactions and Random Sampling

- All Internal Billing postings – Document Type SI
- Journal Vouchers – Document Type SA, FY, FS
- Unallowable GL Account Postings
- Equipment GL Account Postings
- All lines that are over $2,500
- All lines in Fabricated Equipment Cost objects
- 10% Random Sampling for review
Features of the FRC Tool

• As transactions are reviewed & saved, they are removed from the list leaving a running list of all of the not reviewed transactions

• Data will remain in the tool for a rolling 6-month period

• Activity for a new month will automatically appear once month is ‘closed’ in SAP (generally 5-10 business days after the month ends)

• Web-based evidence of FRC
  • No need to print/save a ‘signoff’ sheet
FRC Reviewer Role

• Application is designed to show reviewers transactions for cost objects based on their Roles authorizations (SAP ➔ Report by CO/PC or Fund/FC)

• **Optional, but recommended**: If DLCs wish to limit the application to only display cost objects that user is responsible for reviewing, they may designate an FRC reviewer by:
  • Cost Object
  • Fund Center
  • Profit Center

• Can be set in Roles or by contacting Peggy McGrath @ business-help@mit.edu
Monitoring Reports

• FRC Monitoring – Summary
  • Cognos report provides a summary of the current status of transactions that have been reviewed (or not reviewed) in the FRC web application. This report may be used to track progress of the monthly review as it loads saved data from the FRC web application every five minutes.

• FRC Monitoring – Detail
  • Cognos report provides a duplicate view of all transactions and corresponding details that appear in the FRC web application (report can go back further than six months), with the addition of five columns that provide current information about the review of that transaction, including: Status given, Reason description (if Issue Identified), Comment field, Reviewed by (Kerberos ID), Review Date.
Other Important Notes

• This tool is meant to assist in performing FRC for your DLC
  • Serves as ‘evidence of review’ but doesn’t necessarily mean you won’t have an audit finding related to a specific charge

• The tool is a one-size-fits-all solution for the entire Institute but DLCs are welcome to utilize the tool in the best way for their group

• This tool is **not** intended to change or replace a DLC’s current process for gathering & maintaining receipts, documentation, and other backup
DLC Site Visit Program (Formerly – RACP)

• Site Visits Focus on DLC administration, with a primary focus on federally sponsored research compliance:
  • **Salary Distribution**: Are there sufficient steps to allocate salary costs to the sponsored awards?
  • **Forecasting and Account Management**: Are cost objects managed and monitored in an appropriate way (FRC)?
  • **Procurement**: Is there a method to purchase goods and services that support the mission?
  • **Service Centers Management**: Do service centers receive effective oversight?
  • **Gift Administration**: Are local processes sufficient to ensure fiduciary responsibilities (new FY18)

Check us out: [http://audit.mit.edu/](http://audit.mit.edu/)

Keep smiling - maybe the auditor will forget about those reports she asked for yesterday
Technical Assistance for FRC Tool
helpdesk@mit.edu
617-253-1101

Roles/authorization Assistance
Peggy McGrath
business-help@mit.edu

Cognos Weekly User Group drop-in sessions
Every Thursday 1:30 – 3:00pm in NE49-3098 (Little Cayman Computer Lab)

IS&T Knowledge Base website
FRC application FAQ and FRC Application Training Guide

VPF website (Financial Accounting & Reporting area)
FRC Policy and Quickguide

FRC business-related or policy questions, outreach help for FRC Tool
vpf-frc@mit.edu

MIT Audit Division
http://audit.mit.edu

Research Administration Support
Ra-help@mit.edu
Travel

travelsupport@mit.edu
Weekly drop in session every Wednesday 10am-11am (Little Cayman Computer Lab)

B2P/Procurement

B2P@mit.edu
617-253-7000
Weekly drop in session every Wednesday 10am-11am (Little Cayman Computer Lab)

Financial Record Retention

Handout
Full Policy available on the VPF website at https://vpf.mit.edu/8-00-financial-record-retention-for-dlcs