Finance Audit & Costing

FDP Meeting – May 2024
Michelle G. Bulls, Co-Chair, Director, OPERA
Christi Keene, Co-Chair, Sr. Director, Research Finance, University of Chicago
Agenda

• Welcome
• NIH Expired Payments
• NIH Audit updates
• Audit Working Group
• Q&A
PMS Expired Payments (Late Draws)

- PMS flags any draw attempt 120 days or greater past the award performance period end date as an expired payment request and does not allow the draw.

- In accordance with NOT-OD-23-086, NIH has established procedures that allow for the approval of PMS expired payment requests when certain circumstances exist for the recipient.

- In such cases, the recipient follows a process to submit a prior approval request to the Institute or Center (IC) grants management specialist along with a justification for the late payment request.

- If the IC approves the request, the recipient is able to draw the funds in PMS.
PMS Expired Payments (Late Draws)

• Questions should be directed to the OPERA FFR Reconciliation and Financial Closeout Support Center (FFR-C) at OPERAFFRInquiries@od.nih.gov.
NIH Audit-Related Policy Updates

FDP May 2024 | Michelle G. Bulls, Director, OPERA
Overview

• OIG and GAO audit findings and recommendations often lead to policy updates or clarifications

• NIH Examples:
  • Additional closeout notifications
  • Unilateral closeout
  • Guidance for Subaward/Consortium Written Agreements
  • “Immediate” notification of project changes
Completed Audit – Post-Award Monitoring

• **Recommendation:** NIH should update its policies and procedures for monitoring grantees’ submission of closeout documents to include increased outreach to grantees before the final reports (Final FFR, FRPPR, and FIS) become delinquent.

• **NIH Policy/Compliance Impact:**
  • Implemented a fourth closeout notification email 90 days after the project period end date (see [NOT-OD-24-047](#)).
Ongoing Audit – Closeout Oversight

• **Findings:** OIG identified that NIH was not taking timely unilateral closeout actions and was not reporting recipients in Sam.gov (formerly FAPIIS).

• **NIH Policy/Compliance Impact:**
  • Issued [NOT-OD-24-055](#) alerting the extramural research community that NIH will be reporting unilateral closeout in Sam.gov as required.
  • Updated internal SOPs to ensure timely unilateral closeout when recipients do not submit reports as required. *Continuing to perfect the process.*
Completed Audit – Effective Monitoring of Awards and Subawards

• Recommendation: Implement enhanced monitoring, documentation, and reporting requirements for recipients with foreign subrecipients.

• NIH Policy/Compliance Impact:
  • Issued **NOT-OD-23-182**, requiring subrecipients to provide access to lab notebooks and supporting documentation no less than once per year, in line with RPPR submission.
Completed Audit – Effective Monitoring of Awards and Subawards

• **Recommendation:** Define the process and timeline for what NIH considers “immediate notification” as it relates to specific award conditions that require recipients to report unexpected research outcomes to NIH.

• **NIH Policy/Compliance Impact:**
  • NIH updated the GPS Section 8.1: Recipients are required to notify NIH of developments that have a significant impact on the award-supported activities as soon as they become known.
  • NIH will be making additional modifications in FY25, to provide more detail and align this language with the requirements for Other Support disclosures (i.e., within 30 days).
Agenda

• Working Group Members & Mission
• Key Areas of Focus
• Initial Discussions
  • Single Audit
  • Subrecipient Monitoring
  • Payment Integrity
• Questions, Discussion, & Next Steps
Alicia Reed & Mario Medina, University of Kansas (co-leads)
Christi Keene, University of Chicago (FAC, Co-Chair)
Michelle Bulls, NIH (FAC, Co-Chair)
AnneMarie Baker, UMass Boston
Bryan Van Sickle, University of Michigan
Corey Haggard, Fred Hutchinson Cancer Center
Dena-Rose Wilson, University of Southern Florida
Jenna Peterson, Oregon Health and Science University
Maria Soliman, University of Iowa
Sarah Cody, Texas Tech University
• Findings from audits by a federal agency’s Office of Inspector General (OIG) can often result in additional compliance requirements for recipients.

• The goal of this working group is to proactively identify potential areas of new requirements resulting from audit findings and propose ways to effectively address these requirements with federal partners to keep administrative burden to a minimum.
Working Group – Initial Areas of Focus

• Approach to Identifying Areas
  • Reviewed reports on agency audits
    • Office of Inspector General (OIG) reports from NSF & NIH
    • Agency reports to Congress
  • Identified areas of congruent findings
  • Working Group prioritized areas & selected top priorities

• Identified Initial Areas of Focus
  • Single Audit
  • Subrecipient Monitoring
  • Payment Integrity
Single Audit – OIG Findings & Recommendations

• **OIG Finding Summary:** NIH did not routinely meet Federal single audit requirements that help ensure that extramural recipients have sound financial practices and internal controls. NIH’s lack of oversight and routine use of single audits, as required, could put grants that fund important research at risk for mismanagement.

• **OIG Recommendations for NIH:** (1) ensure that the 6-month requirement for issuing management decision letters (MDL) for all single audits is met; (2) use risk to prioritize the issuance of MDLs; (3) ensure that relevant single audit data are available and used by NIH staff to inform decisions about new and ongoing awards; and (4) track the effectiveness of single audit processes and single audits’ use. NIH concurred with all four of our recommendations.
Single Audit – NIH’s Main Responsibilities for Single Audits

• NIH must ensure that recipients take appropriate and timely corrective action on single audit findings.
• NIH must review recipients’ current and previous single audit findings
  • prior to awarding a new or ongoing award;
  • at least annually as a regular part of monitoring; and
  • at the award closeout.
• NIH must track, over time, the effectiveness of its single-audit processes and single audits’ use in improving recipient accountability.
New Award Term

“Informational Term: NIH is conducting a retrospective review of [recipient]'s most recent single audit report based on our identification of findings reported in prior single audits. Based on the outcome of this retrospective review, NIH may unilaterally take administrative action to safeguard NIH funds in accordance with the NIH Grants Policy Statement, Section 8.5.1 "Specific or Special Award Conditions- Modification of the Terms of Award.”
How does this new term impact recipients? How should FDP proceed around this term?

Considerations

• What should the levels be for High-risk vs. low risk?
• Should this information be included in the Clearinghouse?
• What are the related administrative vs. financial determinations of risk?
• What are prime recipient obligations for monitoring this term for pass through entities?
Recent subaward monitoring findings address lack of invoice monitoring & backup documentation support

- Clarify the requirements of the pass-through entity per UG & overlay compliance supplement and view of the auditors
- Looking to identify if the subrecipient risk level determination plays a role in invoice monitoring findings on recent audit findings
- Explore time where OIG addresses internal controls surrounding the risk assessment review & invoice monitoring
Considerations include opportunities to suggest consistent standards with monitoring & collecting information across agencies

- Determine whether agencies have outlined OIG work plan in place related to subrecipient monitoring
- OIG focusing on foreign recipient backup documentation and striving to see consistent findings.
- May allow organizations to collect supporting documentation consistently for agencies

Other Considerations for future work?
• Team is currently in the research exploratory phase of determining areas of interest and/or concern.

• Reviewing Federal Memos and newly issued federal memorandums establishing cost effective approach and communication.
  • Can we create best practices to be used across agencies and institutions
  • Cost effective solutions “using cost benefit analysis”

• Providing clarification to Clearinghouse issues and revisit classification of risk levels

• This is particularly important as the need increases to have higher level risk assessment and mitigation plans.
• Considerations
  • Determine if an agency has an implementation plan
  • If an implementation plan exists, should those to be
    shared recipient organizations for feedback
  • Is their value in recommending agencies with a
    common practice or procedures that would establish a
    consistent manner in collecting information across all
    agencies

• Recommendations to internal controls - if language is
  clear with potential examples given, does that the strength
  the position of internal controls to be more widely
  understood… look at this from the rationale given and cost
  analysis perspective one offs to internal controls practices
  and determining evaluation of risk level assessments over
  systemic issues
• Questions related to the OMB Memos:
  • How does this apply to letter of credit? What does recovery mean in from the letter of credit lens?
  • Improper Payments – should there be a common way to review and handle? Overpayments, double payments, payments made in error. What does this look like during an audit? What if it was discovered and corrected.
  • Offset – listed a possible way to resolve improper payments- University community very much against this approach.
  • Common areas of concern – VA and the handling of off-set payment

• How can we learn from areas of concern that have not led to reducing inefficiencies
  • Offsets
  • Rebates
  • Pcard
Workgroup Summary

• Agency-recipient community communication is imperative to facilitate
  • Proactive identification and discussion of risks and possible mitigation steps
  • Collaboration to address needed corrective actions, instead of actions from agencies that seem reactive

• NIH has been a great partner; discussions should include additional agency partners
Resources

• Single Audits:
  • https://oig.hhs.gov/oei/reports/OEI-04-21-00160.asp
  • https://oig.hhs.gov/compliance/single-audits/
  • https://oig.nsf.gov/sites/default/files/reports/2024-01/Final%2520SAR%252069%2520Fall%25202023.pdf

• Subrecipient Monitoring

• Payment Integrity
Questions & Discussion

• Questions and suggestions?

• Thank you to the FAC Chairs, Christi Keene & Michelle Bulls

• Want to join the working group? Email us!
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