

RESEARCH ADMINISTRATION

Extramural Fund Management

March 8, 2018

Today's Topics

- Single Audit for FY16-17

Audits

UC receives two audits every year by independent auditors besides numerous audits by sponsoring agencies.

Financial Statement Audit

- Independent, objective evaluation of financial reports and financial reporting processes to obtain reasonable assurance that financial statements are free from material misstatement.
- In accordance with Generally Accepted Accounting Principles (GAAP) and standards established by Governmental Accounting Standards Board (GASB).

Single Audit (2 CFR 200. 501 Audit Requirements)

- Independent examination of an entity that expends \$750,000 or more of federal assistance to ensure that appropriate internal controls over compliance are in place and that federal funds are spent in compliance with the federal program's requirements.

UC Audit Report for FY16-17

- PwC completed the audits for the University of California for the fiscal year ended June 30, 2017 (FY16-17).
 - Preliminary work started in April 2017
 - Fieldwork were performed in June and September 2017
 - Testing of all selected transactions was completed in February 2018

- Campuses selected for full-scope testing for single audit were:

Research & Development	UCLA, UCSD
Student Financial Assistance	UCB, UCSD, UCR

- The University’s audit report for FY16-17 was submitted to the federal government on March 1, 2018 through Federal Audit Clearinghouse (FAC).
- A copy of full report is available at the UCOP and FAC websites.
<http://www.ucop.edu/financial-accounting/financial-reports/a-133-audit-reports.html>
<https://harvester.census.gov/facdissem/SearchA133.aspx>

Single Audit Testing

- Extensive number of samples selected for testing: total 561.
- Comprehensive documentation required.

Central Office	Compliance Requirements (# of samples selected)
EFM	A/B: Allowable Activities/ Costs (154) C: Cash Management (75) G: Matching (10) H: Period of Performance (75) L: Reporting (25) N: Special provision: Salary Cap (25)
OCGA	M: Sub-recipient monitoring (80) N: Special provisions: Key personnel (42)
CFS	F: Equipment and Real Property (50) I: Procurement (25)

Single Audit Reports

As part of the Single Audit, the auditor prepares three following reports.

- The first report provides auditor's opinion on whether the University's financial statements are presented in accordance with US Generally Accepted Accounting Principles (GAAP).
- The second report describes the scope of auditor's testing of internal controls and compliance and the results of testing in accordance with Generally Accepted Government Auditing Standards (GAGAS).
- The third report provides auditor's opinion on compliance with requirements that could have a direct and material effect on each of the selected major federal programs on internal control over compliance in accordance with UG.
- Audit results including auditor's opinion are summarized in "Schedule of Findings and Questioned Costs" in the report.

Definitions

- **A deficiency in internal control exists when:**
 - The design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance on a timely basis.

- **Significant deficiency:**
 - A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

- **Material weakness:**
 - A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

UC: Summary of Auditor's Results

Financial Statements

Type of auditor's report	Unmodified (clean opinion) <i>"UC Financial statements are presented fairly, in all material respects, in accordance with Generally Accepted Accounting Principles (GAAP)"</i>	
Internal control over financial reporting	Material weakness identified?	No
	Significant deficiencies identified?	Yes
	Noncompliance material to the financial statement?	No

Federal Awards (Single Audit)

Type of auditor's report issued on compliance for major programs	Unmodified (clean opinion) <i>"UC compiled, in all material respects, with the types of compliance requirements in accordance with Uniform Guidance"</i>	
Internal control over major program	Material weakness identified?	No
	Significant deficiencies identified?	Yes
	Noncompliance material to the financial statement?	No
Audit findings required to be reported in accordance with 2 CFR 200.516(a)?		Yes

R&D Federal Award Findings

- UCLA and UCOP did not have any reportable findings.
- 8 federal award findings were reported.
- 4 following findings were related to R&D:
 - Equipment additions and inventory
 - Testing disclosed an instance where equipment was capitalized at a wrong amount.
 - Cash management timing of reimbursement requests
 - Prior year finding: Testing disclosed instances where LOC cash drawdown reimbursements included expenses posted to the g/l but not paid.
 - Corrective action has been implemented but was not in place during the FY16-17.
 - Key personnel monitoring
 - Prior year finding: Testing disclosed instances where evidence of having obtained appropriate approvals for key personnel changes was not in place.
 - Corrective action has been taken but not fully implemented during the FY16-17.
 - Service Centers
 - Testing disclosed instances where evidence of having performed a rate review could not be obtained.

Areas for Closer Monitoring

Areas	Key Reminders
A/B: Allowable Activities/ Costs	<p>Adequate answers to questions for all cost transfers</p> <p>Timely cost transfers (late cost transfers should be rare and require extensive explanation)</p> <p>Documentation of appropriate approvals on purchase of goods and services</p> <p>Travel: PI's approval / evidence that travelers worked on the project</p>
G: Matching	<p>Complete cost sharing contribution report with supporting documents as needed to verify the amount</p>
H: Period of Performance (POP)	<p>Timely recording of expenses in the general ledger (g/l)</p> <p>Documentation of expenses posted in the g/l outside POP</p> <p>Timely and complete closeout packet</p> <p>PI's certification on the closeout packet</p>
L: Reporting	<p>Reconciling expenses per g/l to the final invoice or financial report.</p> <p>Cleaning up g/l: transfer off unallowable expenses timely.</p>
N: Special Provision: Key personnel	<p>Monitor actual effort to ensure committed effort is satisfied</p> <p>Report actual effort correctly in the progress report and effort reports.</p> <p>Obtain sponsor's approval for a 25% reduction or more to committed effort</p>

Single Audit for FY17-18

- PwC will conduct audits for UC for FY17-18.
- Campuses for full scope testing have not been determined yet but to be determined in April 2018.
- Preliminary fieldwork is scheduled to begin in May 2018.

Contact information

EFM Website

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