



# AUDIT AND ADVISORY SERVICES

Sponsored Projects — Award  
Closeout  
Audit  
Project No. 17-686

September 28, 2017

Prepared by:

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September 28, 2017

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Chief Operating Officer  
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Patrick Schlesinger  
Assistant Vice Chancellor  
Research Administration and Compliance

Assistant Vice Chancellor and Controller Regalia, Chief Operating Officer Huston, and Assistant Vice Chancellor Schlesinger:

We have completed our audit of sponsored projects award closeout as per our annual service plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Our observations are presented in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of Contracts and Grants Accounting and Campus Shared Services — Research Administration for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley  
Chief Audit and Risk Executive

cc: Executive Vice Chancellor and Provost Paul Alivisatos  
Vice Chancellor Marc Fisher  
Interim Vice Chancellor G. Steven Martin  
Vice Chancellor and Chief Financial Officer Rosemarie Rae  
Associate Chancellor Khira Griscavage  
Senior Vice President and Chief Compliance and Audit Officer Alexander Bustamante

**University of California, Berkeley  
Audit and Advisory Services  
Sponsored Projects—Award Closeout**

**Table of Contents**

OVERVIEW .....	2
Executive Summary .....	2
Source and Purpose of the Audit .....	3
Background Information .....	3
Summary Conclusion .....	4

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# OVERVIEW

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## Executive Summary

The purpose of the audit was to assess campus controls to assure existing policies, procedures, and practices provide reasonable assurances that after-the-award requirements related to project closeout in the Code of Federal Regulations Title 2 Subtitle A Chapter II Subpart D §200.343-344 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* — Post Federal Award Requirements are met.

The audit scope included the administration of contract and grant close-outs both within Contracts and Grants Accounting and Campus Shared Services — Research Administration (CSS RA). The review included the following:

- timely completion of required financial, performance, and other reports required by award terms and conditions;
- timely liquidation of all obligations incurred under the award;
- collection of payment for all allowable reimbursable costs;
- refund of unobligated cash (unless authorized to retain); and
- accounting for real and personal property acquired or received under the award.

We conducted interviews of certain Contracts and Grants staff and CSS RA staff as to the administrative policies and procedures associated with award closeouts. We performed document and transaction reviews of selected award closeouts, within the various award types (federal contracts, federal grants, private contracts, private grants, state awards, and local awards). Our audit fieldwork was completed in May and June 2017.

Based on the audit work performed, the sponsored projects closeout process appears to provide adequate controls to support effective operations and compliance with federal regulations and university policies. We noted that the Controller's area currently has a project underway to review awards that have closed but that have not yet been inactivated in order to expedite their inactivation and improve the process going forward.

As with all of our audits, our audit procedures are designed to provide a reasonable, but not absolute, level of management assurance as of the timeframe of our fieldwork.

### **Source and Purpose of the Audit**

The purpose of the audit was to assess campus controls to assure existing policies, procedures, and practices provide reasonable assurances that after-the-award requirements in the Code of Federal Regulations Title 2 Subtitle A Chapter II Subpart D §200.343-344 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*—Post Federal Award Requirements (Uniform Guidance) are met.

### **Scope of the Audit**

The audit scope included the administration of contracts and grants closeouts within Contracts and Grants Accounting and CSS RA. The review included the following

- timely completion of required financial, performance, and other reports required by award terms and conditions;
- timely liquidation of all obligations incurred under the award;
- collection of payment for all allowable reimbursable costs;
- refund of unobligated cash (unless authorized to retain); and
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### **Background Information**

The Contracts and Grants Accounting (CGA) unit, as part of the Controller's area, administers the closeout of awards granted to the campus, in accordance with the Uniform Guidance. They work in conjunction with CSS RA, department personnel, and the principal investigators (PIs) to close out awards according to a standard and regimented set of procedures.

In July 2014, the campus implemented the contracts and grants module of the PeopleSoft general ledger system. With the implementation, CGA developed and installed new award closeout procedures for CGA, CSS RA, and campus departments intended to improve closeout accuracy and timeliness.

The award closeout begins 90 days prior to the end date of the award. A notice is automatically sent to the appropriate department personnel and others, with additional notices subsequently sent monthly until the award expiration date. The PI, CSS RA, and department personnel review the award financial activity in the general ledger and update it, as needed. The award results are provided to CGA, using an "Award Closeout Certification" form. CGA reviews information on the form for accuracy and appropriateness. They verify the overhead charges or that no overhead is chargeable and post corrections to indirect costs if needed. CGA files the final financial report with the award sponsor as appropriate for the award type. The difference between the amount billed and the total expenditures is settled with the sponsor. If expenses remain to be billed, a final invoice is issued by CGA. Where payments exceed expenses, (e.g., via schedule pay invoicing), the difference is normally refunded to the sponsor or applied to a different award at

the direction of the sponsor. Expenses incurred in excess of the award amount are transferred out of the award fund by CSS RA or department personnel or are transferred to a specified department non-sponsored fund using the CGA deficit clearing process. Once all closeout activity with the sponsor and all outstanding tasks in the inactivation process have been completed, the fund is inactivated by CGA.

### **Summary Conclusion**

Based on the audit work performed, the sponsored projects closeout process appears to provide adequate controls to support effective operations and compliance with federal regulations and university policies.

We noted that the Controller's area currently has a project underway to review awards that have closed but that have not yet been inactivated in order to expedite their inactivation and improve the process going forward.

As with all of our audits, our audit procedures are designed to provide a reasonable, but not absolute, level of management assurance as of the timeframe of our fieldwork.