



Gambling with the Future:

The “Risky Business” of Grants and Contracts
RAC Forum May 8, 2013
Pam Miller, Director, Sponsored Projects Office

Who are the “Risk” Takers?

- ▶ Principal Investigators
- ▶ The Grantee Institution
- ▶ Collaborating Institutions
- ▶ The Sponsor
- ▶ Project Participants
- ▶ Inadvertent Participants
- ▶ Project Personnel

Results of Risky Behavior

- ▶ Fraud, waste, and abuse
- ▶ Research misconduct
- ▶ Violations of law, regulations, directives, or policy
- ▶ New Knowledge
- ▶ Inventions
- ▶ Creative Products
- ▶ Learning Experiences
- ▶ Jobs/Careers
- ▶ New Businesses/Industry
- ▶ Improvements in the Human Condition

Negatives

Positives

What is the Biggest Risk?

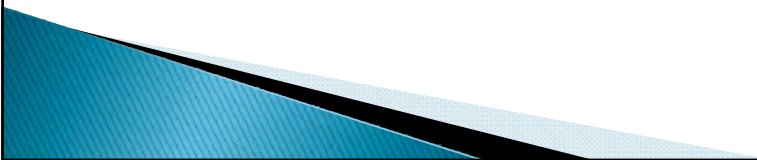
No Risk!

Our Goal is not to...

Eliminate Risk

Our Goal is to...

Manage Risk



Risk Managers

- ▶ The PI
- ▶ The Managing Department/CSS
- ▶ Central Offices, e.g., SPO, RAC, EFA
- ▶ Internal Audit & Advisory Services
- ▶ Project Specific Auditors
- ▶ Annual A-133 Auditors
- ▶ Federal OIG Auditors
- ▶ ONR Procurement Auditors
- ▶ Property Control System Auditors

Internal

External

Interests of the Internal Auditor

- ▶ Financial, operating, and administrative controls
- ▶ Accuracy, timeliness, and reliability of management information
- ▶ Compliance with established policies, procedures, plans, standards, contracts, ethical values, laws, and regulations.
- ▶ Economy and efficiency in utilizing available resources

The “A-133”

- ▶ A management oversight tool
- ▶ For grantees with federal expenditures of \$500,000+
- ▶ 40,000 of 88,000 entities subject to A-133
- ▶ Institution arranges for CPA firm to conduct the A-133
- ▶ OIGs have oversight of the audit firm’s quality.
- ▶ Involves compliance and financial testing
 - Internal controls evaluated
 - Sample of award costs tested
- ▶ Annual audit report is submitted to Federal Audit Clearinghouse

The (OIG) Audit

- ▶ Investigates allegations of:
 - Fraud, waste, and abuse
 - Research misconduct
 - Violations of law, regulation, directive, or policy
- ▶ Conduct internal/external audits:
 - Financial
 - Performance related to project objectives

Playing the Audit Risk Game



Directions

- ▶ You will need a coin to “flip” to play the game and a marker to move along the game board provided at the end of this presentation.
- ▶ Based on the flip of the coin, you will move along the game board, and you will have a 50/50 chance of doing the right thing.
- ▶ Our goal today is to increase your chances of doing the right thing in the future.
- ▶ Commentary by “Specialists” on each step of the game will give you additional information about each particular risk and how to manage it.
- ▶ Winners and losers will receive a “prize.”

1. Flip Your Coin

- ▶ Lab supplies originally charged to a teaching program really should have been charged to a research project. You immediately make a cost adjustment in the system of record that originated the charge.
- ▶ Move ahead three spaces.
- ▶ You realize that payroll transaction that occurred three months ago contained an incorrect chart string so you initiate a payroll expense transfer.
- ▶ Move ahead three spaces.

If Heads...

If Tails...

2. Flip Your Coin

- ▶ Your PI has charged his federal research grant \$100 for two cases of California wine for future advisory committee meetings. You process the transaction.
- ▶ Stay where you are.
- ▶ Your PI has charged his new federal research grant \$100 for two cases of California wine budgeted and approved to assess the impact of alcohol on women's sleep. You process the transaction.
- ▶ Move ahead two spaces.

If Heads...

If Tails...

3. Flip Your Coin

- ▶ Your PI has \$200K left in her NSF grant that ends in a month. She has not completed all her objectives. You help her prepare a NCE request and submit it to SPO.
- ▶ Move ahead three spaces.
- ▶ Your PI has \$200K left in her NSF grant that ends in a month. She decides to purchase a large piece of equipment she just remembered that she has always wanted to have in her lab.
- ▶ Move back two spaces.

If Heads...

If Tails...

4. Flip Your Coin

- ▶ You receive a subawardee's invoice marked "final." You show the invoice to the PI, and she approves it for payment.
- ▶ Move ahead three spaces.
- ▶ Your PI tells you that a subawardee has not provided the deliverables described in the subawardee's SOW. You receive an invoice from the subawardee marked "final." You process the final payment to the subawardee.
- ▶ Move back 2 spaces.

If Heads...

If Tails...

5. Flip Your Coin

- ▶ Due to the unexpected popularity of the training manuals your PI developed under her federal grant, she has made \$1000 selling these materials. You congratulate her.
- ▶ Go back three spaces.
- ▶ Your PI tells you that program income from ticket sales to a series of arts performances should be included in her proposal to the NEA. You note program income is anticipated on the PRF.
- ▶ Move ahead five spaces.

If Heads...

If Tails...

6. Flip Your Coin

- ▶ Your PI insists that he needs to show a large amount of voluntary cost share in the budget on his NSF research proposal. You follow his directions.
- ▶ Go back two spaces.
- ▶ Your PI has been contributing time (listed in the proposal) on an NSF research project. You make sure that this voluntary effort is reflected in the PI's time and effort report.
- ▶ Move ahead four spaces.

If Heads...

If Tails...

7. Flip Your Coin

- ▶ Your PI gives you receipts covered with tomato sauce for reimbursement of the cost of two pizzas he bought for a Lab Team meeting. You charge the reimbursement to the PI's NIH grant.
- ▶ Go back one space.
- ▶ Your PI buys pizzas for 20 high school students attending a STEM career day at UCB as proposed in the PI's NSF proposal. You process the reimbursement.
- ▶ Move ahead three spaces.

If Heads...

If Tails...

8. Flip Your Coin

- ▶ Your PI wants to buy an expensive microscope not budgeted in the NIH award. You work with your SPO analyst to get NIH approval.
- ▶ Move ahead four spaces.
- ▶ Your PI wants to buy an expensive microscope not budgeted in the NIH award. You approve the purchase.
- ▶ Go back two spaces

If Heads...

If Tails...

9. Flip Your Coin

- ▶ Your PI wants to bring over a graduate student from Hong Kong National University as a visiting student researcher to work on his NASA award. You approve the NASA stipend payment to the student.
- ▶ Go back two spaces.
- ▶ Your PI wants a Chinese citizen who is faculty at UCSC to collaborate with her on her NASA project. You assist the PI set this up.
- ▶ Go ahead three spaces.

If Heads...

If Tails...

10. Flip Your Coin

- ▶ You are assisting your PI with a non-competing continuation proposal to NIH, you submit through RPPR without sending the FCOI forms to SPO.
- ▶ Go back two spaces.
- ▶ You are assisting your PI with a non-competing continuation proposal to NIH, you submit through RPPR. You notice “Yes” responses on Form 1 so you collect Form 2 and send the forms to SPO.
- ▶ Go ahead three spaces.

If Heads...

If Tails...

11. Flip Your Coin

- ▶ Your PI's Lab Manager. tells you he has adjusted the time sheets of the students who work in the lab to show extra hours the students did not actually work so the students can make more money. You refuse to process the time sheets.
 - ▶ Go ahead two spaces.
- ▶ Your PI confides in you that he needs to substantially cut back the time he spends working on his federal grant due to health issues. You contact SPO and discuss notifying the funding agency.
 - ▶ Go ahead three spaces.

If Heads...

If Tails...

12. Flip Your Coin

- ▶ Your PI wants to buy a lap top for an employee that is committing 5% effort to the project. You agree and place the order
- ▶ Go back two spaces.
- ▶ Your PI wants to buy a lap top for an employee that is committing 5% effort to the project. You ask the PI for a justification. He has none so you don't approve the purchase.
- ▶ Go ahead two spaces.

If Heads...

If Tails...

13. Flip Your Coin

- ▶ Your PI plans an experiment with rocket fuel and plans to pay the campus fire marshal to be on site during the the test. You tell the PI that this is not allowed because the fire marshal's time is covered under IDC.
- ▶ Go back two spaces.
- ▶ Your PI has a research grant to study the effect of autism on family dynamics and he wants to charge the cost of duplicating and mailing 1000 surveys to parents of autistic children in CA to his NIH grant. You process these charges.
- ▶ Go ahead two spaces.

If Heads...

If Tails...

14. Flip Your Coin

- ▶ The cost of a graduate student's total compensation on an NIH grant now exceeds that of a first year post doc. You re-budget to cover the extra costs with grant funds.
- ▶ Go back three spaces.
- ▶ Your PI wants to include a for profit entity as a subawardee in his proposal. You find out that the services to be provided are provided to all the for-profit entity's customers. You budget the entity as a vendor.
- ▶ Go ahead two spaces.

If Heads...

If Tails...

15. Flip Your Coin

- ▶ Your office is moving across campus. There are a number of files from an NSF grant that ended two years ago stored in your office area. You toss out the files so that you don't have to move them.
- ▶ Go back four spaces.
- ▶ Your PI wants you to buy him a business class air line ticket using his federal grant funds when he flies to his research site so that he has more leg room. You explain that this is not allowed.
- ▶ Go ahead two spaces.

If Heads...

If Tails...

Summary: Typical Audit Findings

- ▶ Unallowable expenditures (A21)
- ▶ Unreasonable expenditures
- ▶ Reimbursements not documented (invoices, etc.)
- ▶ Time and effort not timely, not signed/ not certified
- ▶ Direct charges for costs in the indirect pool
- ▶ Overload salary
- ▶ Non-related travel
- ▶ Unapproved changes requiring prior approval

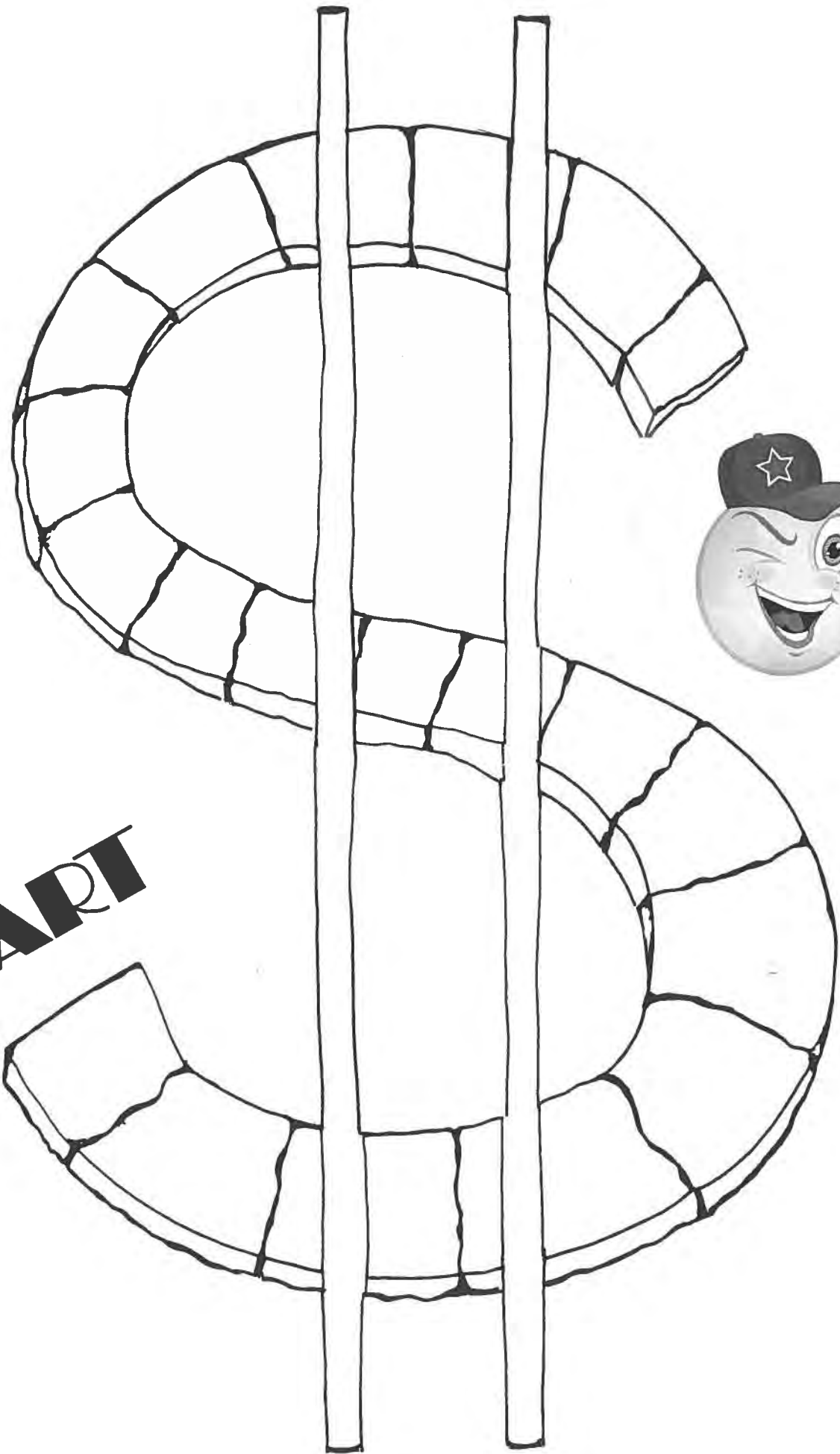
Don't Let These Happen to YOU!



Thanks to Today's Commentators!

- ▶ Patty Gates, Associate Director, SPO
- ▶ Jyl Baldwin, Associate Director, SPO
- ▶ Deborah Howard, SPO Subaward Team Lead
- ▶ Noam Pines, SPO GCO, Phoebe Specialist
- ▶ Frank Kinney, Extramural Funds Accounting

START



**Remember...
Chance Favors the Well
Prepared**

Louis Pasteur

