SPONSORED PROGRAMS

Objective:
To ascertain how the department/unit verifies that costs charged to sponsored programs are appropriate and in accordance with UHD policies and procedures as well as provisions of sponsored agreements

Potential Impact:
Results in potential disallowance of costs, refusal of sponsors to award future contracts, negative publicity, and possible fines

Helpful Tools:
- UH System Administrative Memorandum:
  - F03.H.01 - Financial Record Retention
  - UH System Records Retention Schedule
- UH – Downtown Policy Statement:
  - 06.A.01 - Debarment and Suspension Policy
  - 06.A.02 - Disclosure of Lobbying Activities Policy
  - 06.A.03 - Standards of Conduct in Government-Sponsored Research
  - 06.A.04 - Procurement Integrity Policy
  - 06.A.05 - Privacy Act and Freedom of Information Policy
  - 06.A.06 - Guidelines for the Administration of Sponsored Research
  - 06.A.07 - Ethical Conduct in Research and Government-Sponsored Activities
  - 03.A.23 - Protection of Human Subjects
- UHD Website:
  - Office of Sponsored Programs, Grant Accounting
- Other(s):
  - A-21 Cost Principles
  - A-110 Uniform Administrative Requirements
  - A-133 Audit Guidelines

Contacts:
Sandra Garcia
garcias@uhd.edu
713-221-8091
Room S625

Frequently Observed Weaknesses/Deficiencies:
- Failure to monitor project beginning and end dates
- Untimely continuation requests
- Failure to establish a project account prior to beginning work
- Principal investigators (P.I.s) not reviewing and approving account activity/reconciliations
- Untimely submission/processing of cost transfer and residual forms
- Charging inappropriate/unallowable expenditures to sponsored projects
- Failure to meet cost sharing obligations and/or failure to monitor cost-sharing accounts

**Best Business Practices:**

1. Designate an individual responsible for coordinating and administering all sponsored account activities in the department. This individual should understand and be apprised of all sponsored activity in the department, i.e. new projects, beginning and end dates, proposal deadlines, etc.

2. Maintain a master project control record to track the activity from proposal to final delivery. Important dates and milestones should be monitored and actions taken as needed to ensure compliance with policies, laws, and agreement terms.

3. Ensure individuals are trained on and follow proper administrative policies and procedures.

4. Ensure adequate segregation of duties:
   - Functions are divided so that one individual does not have control over all aspects of a transaction: authorization, custody, record keeping, and verification
   - The employee reviewing and approving financial transactions should not be the individual reconciling accounts. If this is the same individual (generally due to a small number of employees), then a compensating control should exist, i.e. approval (sign-off) by the department chair or appropriate level of management
   - Ensure employees are familiar with institutional policies and procedures

5. Ensure project numbers are established prior to beginning activity. Generally, no expense should be incurred before the project number is assigned. The project is set up only when all approvals are in place.

6. Ensure expenditures to sponsored projects are appropriate and in accordance with the terms of the agreement, institutional policies and procedures, and OMB circulars.

7. Identify cost sharing requirements and funding sources in advance of project commencement. Ensure cost-sharing obligations are met and properly recorded in a project cost share account.

8. P.I.s and/or department heads should review all sponsored program activity monthly. (Note: P.I.s are ultimately responsible for their own sponsored activities.)

9. Reconcile all sponsored account expenditures and budgets monthly and submit budget amendments as needed to avoid budget checking errors. Maintain evidence of reconciliation.

10. Detect and resolve discrepancies in a timely manner and in accordance with Sponsored Project Agreement (SPA).

11. Submit cost transfer requests, if required, on a timely basis and in accordance with SPA policies and guidelines.

12. Establish record retention guidelines as required by institutional procedures, and A-21 and A-133 OMB circulars.

13. Attend training classes offered through the Office of Sponsored Programs.

Case Scenario: A sponsored agreement ends on December 30 and has an unrestricted residual balance. The department realizes after December 30 that the contract has ended and submits residual form(s)/residual
action plan the following April 10. What are the control weaknesses and what might the consequences be?

Case Scenario Answer: It appears no one was monitoring the project end dates in the department and the residual form did not meet the institution’s Residual Utilization policy (request within 90 days of end date). This could result in loss of control of residual funds by the respective P.I. because the residual balance lapses to the appropriate vice president or dean.
This questionnaire is designed so that “no” answers indicate that an internal control weakness may exist and the procedure/process may need to be examined in greater detail. **Comments should be provided for “No” answers.** When such weaknesses are identified, a change in the process may be necessary OR a control may need to be put into place to address the weakness. The appropriate UHD contact office (as outlined in the self-assessment text) may be contacted for assistance with identified weaknesses.

<table>
<thead>
<tr>
<th>Self-Assessment of Internal Controls for Contracts</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are employees familiar with Sponsored Project Agreement policies, i.e. direct charging policy, etc.?</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Are grant/contract agreements available for reference in the department/unit?</td>
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<tr>
<td>Are grant/contract agreements referenced when initiating project expenditures to ensure appropriateness?</td>
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<td>Does the department/unit have a designated individual to reconcile revenue and expenditures to PeopleSoft?</td>
<td>☐</td>
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<td>Does the department/unit have a process for the designated individual to be notified of all new sponsored projects?</td>
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<tr>
<td>Are all departmental accounts reconciled to PeopleSoft at least monthly?</td>
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<td>Are reconciliations reviewed and approved by someone other than the preparer/reconciler? (preferably the P.I.)</td>
<td>☐</td>
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<td>Does the reviewer approve (physically sign-off) the reconciliation?</td>
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<td>Are errors researched and corrected in a timely manner and in accordance with policy, if applicable?</td>
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<td>Is an account(s) established prior to the beginning of project work?</td>
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<td>Is there a process for monitoring project beginning and end dates, and timely routing of renewal paperwork, when applicable?</td>
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<td>Does someone monitor P.I. compliance with progress reporting deadlines?</td>
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<td>Are residual balances requested within the required timeframe and appropriately utilized?</td>
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</table>
Are financial reconciliations and supporting documents retained for the appropriate time period as prescribed by policy? (UH System Records Retention Schedule)

This is a living document and will be updated as revisions are necessary. Periodically, you may want to check for updates and revisions. We welcome any questions and feedback regarding the information contained in this tool including any comments regarding how this may be more useful and effective.