Symposium for Research Administrators
University of Wisconsin-Madison
October 8th, 2019

Expense Review
Understanding the Process & Strengthening the Partnership Between RSP and Departments
Dorothy Johnson & Josh Totsky

Learning Objectives
• Understand why the expense review is done
• Summarize the expense review process
• Explore the steps involved in the expense review process
• Strengthen the connection between the final expense review and financial reporting
• Foster relationships between RSP and Departments
• Apply knowledge to daily tasks
Session Overview

- Participant involvement
- Ask questions anytime!
- Sign up sheet to request individualized training

What is the Expense Review Process?

When an award is ending, the expense review is the process by which RSP works with the Principal Investigator/Department to ensure all appropriate expenses have been charged to an award before preparing the financial report.

- Transaction analysis
- Communication between RSP and Department – Computational E-mail
- Information exchange
- Cost transfers
- Agreement on final numbers

Activity

Think about your experience with the expense review process:
- What are the greatest challenges or difficulties?
- What do you like about the process?

If you haven’t been involved in the process:
- How would you envision the review process working?

Discuss with your neighbor
Share with the group
10/4/2019

University of Wisconsin - Madison

Agenda

1. Why is it Done? Compliance!
2. Expense Review Process
   • Initial RSP Accountant Review
   • Department Correspondence & Justification
   • Cost Transfers
   • Agreement on Final Numbers
4. Financial Responsibility & Audit

Why is it Done? Compliance!

2 CFR 200 - Cost Principles

University is responsible for ensuring costs charged to awards are:

- Allowable
  - Necessary – required to perform the work
  - Reasonable – prudent person test
  - Allocable – assigned in accordance with benefit received
  - Consistently treated – treated the same in like circumstances
  - Permissible – follow state and University guidelines and terms/conditions of the award
Why is it Done? Compliance!

2 CFR 200 - Administrative Requirements
Internal Controls & Financial Management
- Reasonable assurance that the University is managing awards in compliance with the statutes, regulations, and terms and conditions of each award
- Separation of duties ensures that no one person has complete control over all aspects of a financial transaction
- Detailed expense review
- Accurate Financial Reports/Invoices
  - Certify that the report is true, complete, and accurate, and that the funds are used for the purposes and intent set forth in the award documents

Roles & Responsibilities
Principal Investigator/Program Director
- Assures appropriateness, reasonableness, and allowability of expenses
- Manages budget vs. actual expenses
- Reviews financial reports provided by RSP
Dean's Office
- Provides oversight of sponsored programs administration
- Assures timely resolution of misplaced expenses
RSP
- Reviews expenses
- Prepares and submits sponsor financial reports and invoices

Preparation for Expense Review
60-Day Email (Award Closeout)
- Automated message sent to PI, departmental administrator, and division contact 60 days before the award end date
  - No-cost extension (NCE)
  - Subawards
  - Pay invoices, travel reimbursements, etc.
  - Change billing to new funding source (payroll, MDs, etc.)
  - Close encumbrances
  - Review expenses
  - Initiate cost transfers
  - Prepare for final reporting (technical, financial, invention, other)
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Expense Review Process – Overview

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<td>Gather Documentation</td>
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<tr>
<td>Review Justifications and Decide if Cost Transfers are Needed</td>
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<td>Initiate Cost Transfers</td>
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<td>Approve Cost Transfers</td>
<td>Agree on Final Numbers</td>
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Expense Review Process – Initial Expense Review

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10/4/2019
Expense Review Process – Initial Expense Review

Who: RSP Accountant

When: Sponsor Deadlines
• Interim reporting periods
• Final report after award ends
• Due dates: range from end date of award to 90 days after award end

How: Export all direct expenses from WISER into review spreadsheet
• Flag any Pre- or Post-Period Expenditures – spending must occur within the project period, unless justified
• Flag any Potentially Unallowable Expenditures – charges which are either questionable purchases or are included in the F&A calculation (office expenses, general purchases)
• Review Travel Expenses – personnel must be paid on the project and travel dates must be within the period of performance
### Expense Review Process – Review Spreadsheet

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Budget</th>
<th>Expenditure</th>
<th>Adjustments</th>
<th>Total Budget</th>
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**2019 Budget**

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**2019 Expenditure**

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**2019 Adjustments**

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## Expense Review Process – Review Spreadsheet

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</table>

*Note: All values are in USD.*
Expense Review Process – Computational E-mail

Review Spreadsheet Attached

Mention Potentially Unallowable Expenses

Mention Pre- or Post-Period Expenditures
Expense Review Process – Computational E-mail

- Review Spreadsheet Attached
- Mention Potentially Unallowable Expenses
- Mention Pre- or Post-Period Expenditures
- Request a Response within 10 Days

Computational E-mail – Timeline

- RSP Accountant sends computational e-mail shortly after award ends
  - Provides information
  - Requests justifications
- If No Response from Department:
  - After 10 Business Days – Computational E-mail Reminder
  - After Another 10 Business Days – Suspense Notification E-mail
    - Questionable expenses may be transferred to the Department’s discretionary (suspense) account if a response is not given before the reporting due date

Goal is to submit financial reports and invoices on or before sponsor deadline
Expense Review Process – Gather Documentation

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Activity

When RSP requests information about or justification for expenses:
- What is your process for gathering the documentation?
- What are the challenges?

If you haven’t been involved in the process:
- How do you think you would answer the questions?
- What are the challenges?
  
  Discuss with your neighbor
  
  Share with the group
### Expense Review Process – Response E-mail

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**Department Responds:**
- Potentially Unallowable Expenses
  - Provide justification
- Post Period Expenditures
  - Acknowledge dates of purchase, services, or travel
- Other Award Considerations
  - Continuation Projects
  - More Expenses to Post
Expense Review Process – Review Justifications and Decide if Cost Transfers are Needed

RSP Accountant reviews Department’s justifications

- Justified Expenses
  - Stay on the award
- Unjustified/Poorly Justified Expenses
  - Must be removed from award with a cost transfer
### Expense Review Process – Cost Transfers

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</table>
Expense Review Process – Cost Transfers

Cost Transfer
• Department initiates
• Transfers are routed for approval
• RSP Accountant approves final status

Cost Transfer Justification
• Why was the expense charged to the original project?
• How does the receiving project benefit from the expense?
• Is the expense allowable and allocable based on the terms & conditions of the receiving project?
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Financial Report Preparation & Submission

Financial Report Preparation
• Agreed-upon expenses are used to prepare financial report/final invoice
  • Expense review may result in manual adjustments to WISER
  • WISER may not match financial report until final adjustments post
• Format required by sponsor

Report Submission
• Method required by sponsor

Payment/collection of cash may involve different process
• Cash draw
• Cash Received = Final Expenses Reported

Related Actions
Continuing Awards (Carryover of unobligated balance)
• When carryover requires prior approval:
  • Department
    • Prepares carryover request which includes scientific explanation, budget, and budget justification
  • RSP
    • Reviews documents & Authorized Organizational Representative (AOR) submits to sponsor
  • If sponsor approves, carryover adjustments are made to move funds to the new project

Non-Continuing Awards (Closeout)
• Department confirms that the award is not being extended
• RSP Accountant proceeds with closeout procedures
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Financial Responsibility

RSP Notice 2011-2

Sponsored projects administration is a shared responsibility:
- Principal Investigators/Program Directors
- Department Chairs
- Deans/Directors
- RSP

Primary fiscal responsibility and accountability for awards in terms of:
- Budget overdrafts
- Delinquent payments from sponsors

Ultimate responsibility rests with the Dean/Director
- Tools available to facilitate financial management
- Standardized computational e-mail and expense review worksheet

Audit

RSP Expense Review
- Preparation for audits
- All transactions are subject to review and analysis
- Request additional information (what was purchased?)
- Request justification for expenses in high-risk areas
  - Auditors will ask about expenses in these areas and Departments should be prepared
  - Make a determination of allowability
  - Examples: travel, food, equipment, late/large purchases, cost transfers, and charges from MDS, PayPal, Amazon, Target, etc.
- RSP acts in an internal audit capacity
  - Questions will vary by award
Audit

Single Audit
• 2 CFR 200 - Audit Requirements
• Annual audit
• Report is submitted to federal government
• Report is public
• Pass-through entities review subrecipient audit reports as part of risk assessment

Sponsor Audits, Site Visits, and Desk Reviews
• Sponsors/Pass-through entities have the right to review records pertaining to awards
• Financial and programmatic
• On site or virtual

Questions?
Thank you for coming!

Use the sign up sheet if you would like individualized training!
Presenter Contacts

Dorothy Johnson
dorothy.johnson@rsp.wisc.edu
(608) 890-2904

Josh Totsky
jtotsky@rsp.wisc.edu
(608) 262-6999

Appendix A – RSP Resources & Policies

- RSP Glossary
- Cost Transfer Policy
- Accountant Search
- Staff Directory
- Audits
- Award Management
- Award Closeout
- Divisional Dashboard

Appendix B

Expense Review Spreadsheet (In-Depth Breakdown)
Direct Cost Tab

This tab houses every direct expense line posted to WISER. The RSP accountant reviews the expenses line-by-line and highlights potentially unallowable expenses. Highlighted expenses are pooled together in the Expense Review Tab.

Expense Review Tab – Overview

The Expense Review Tab is broken up into 3 sections:

- Questionable Expenses Incurred During The Project Period
  - Potentially unallowable expenses due to questions of appropriateness or allocability.
- Pre-Period Expenditures
  - Potentially unallowable expenses due to timing. The 90-Day Pre-Spending term is often required for justification.
- Post-Period Expenditures
  - Potentially unallowable expenses due to timing. PO dates, voucher dates, or payroll descriptions that place the expense in-period can serve as justification.

Expense Review Tab – Functionality

Each section of the Expense Review Tab (Pre-Period, In-Period, and Post-Period) is split into two sections:

- Potentially Unallowable: The RSP accountant places questionable expenses in this section. The sum of these expenses flows into the Pending Direct Cost Adjustments register of the WISER Analysis Tab. The potentially unallowable expenses are then subtracted from Total WISER Costs.
- Allowable after Review: The RSP accountant moves expense lines from the Potentially Unallowable section to the Allowable section after receiving justification from the Department. The sum of allowable expenses does not flow elsewhere in the spreadsheet. No adjustments are necessary for allowable expenses.
### Expense Review Tab – Reconciliation to Ledger

- **Total Direct Expenses as of WISER End Date**: Direct expenses imported from WISER on the day the RSP accountant performed the review.
- **Total Direct Expenses as of Award End Date**: WISER direct expenses from Inception through the Award End Date.
- **Post Period Direct Costs**: WISER End Date Expenses – Award End Date Expenses
- **Allowable PPE + Unallowable PPE – Total PPE**: This is a simple check that assures all Post Period expenses are accounted for in the Expense Review Tab. If this cell is not zero, there is a discrepancy between expenses posted in WISER and expenses included in the review spreadsheet.

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<th>Inception Award End Date</th>
<th>WISER End Date</th>
<th>Post Period Direct Costs</th>
<th>Total Direct Expenses as of Award End Date</th>
<th>Total Direct Expenses as of WISER End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### WISER Analysis Tab – Header

- **WISER Summary Financials**: Utilizes a VLOOKUP function to draw values from below on the same tab.
- **WISER Run Date**: The date on which the RSP accountant imported the direct expenses from WISER.
- **WISER Reporting Period**: The project period listed in WISER.
- **Approved by (name) – date**: The initials of the RSP accountant who completed the review.

### WISER Analysis Tab – F&A Check

- **Rates (most current to least current)**: The F&A Rate used to calculate Indirect Costs. This value is drawn from the WISER Financials below on the same tab.
- **Direct Costs**: The total Direct Costs posted in WISER, drawn from the header on the same tab (see previous slide).
- **Exclusions**: The total amount of expenses excluded from the F&A calculation. This value is drawn from the header above.
- **MTDC (Modified Total Direct Costs)**: **Direct Costs – Exclusions**
- **Indirect Costs**: **MTDC x F&A Rate**
- **Total Costs**: **Direct Costs + Indirect Costs**
This register will contain the award number (MSN205768) and project number (AAH1958) of the continuation project if the project will receive new funding or a time extension.

- **Authorized Amount:** The approved budget from the sponsor.
- **Total WISER Budget:** The total budget listed in WISER.

The RSP accountant will leave notes pertinent to the award in this box.

- **Balance (Deficit) Before Expenditure Review:** Total WISER Budget – Total Costs – Previously Reported Costs
- **Previously Reported Costs are only subtracted for cumulative reporting**
- **DC Balance (Deficit):** The portion of the Balance (Deficit) that is Direct Costs.
- **DC Balance (Deficit) = Balance (Deficit) / (1 + F&A Rate)**
### WISER Analysis Tab – Pending Adjustments Register

#### Total WISER Costs:
- Draws from the WISER Total Costs cell in the WISER Analysis Tab header.

#### Pending Direct Cost Adjustments:
- Draws from the Expense Review Tab.

#### Pre and Post Exp.:
- The sum of potentially unallowable pre- and post-period expenses.

#### Unallowable Costs:
- The sum of potentially unallowable in-period expenses.

#### DC Deficit/Balance (closeout thresholds):
- The manual direct expense adjustment needed to reduce an overspent project to budget.

#### Pending Charges & Adjustments:
- Manual adjustments required that are unique to the award. These adjustments are commonly related to pending cost transfers.
Final Adjustment: Usually plus or minus only a few cents; this is the adjustment needed to bring the final reported figure to an even dollar value.

Pending F&A adjustments:
- F&A adjustment: Adjusts indirect expenses if the F&A check calculation (see slide 76) differs from indirect expenses posted in WISER.
- Associated F&A: Sums the numbers in the purple box and calculates the associated indirect expense adjustment.

Total Adjustments = Pending Direct Cost Adjustments + Pending F&A Adjustments

Pending F&A adjustments:
- Total Reported Costs: The figure that will appear on the final financial report or final invoice.
- Remaining Balance: The balance left in the budget that will be either de-obligated or carried over to the continuation project.
- Direct Cost Balance: The portion of the remaining balance that is direct costs.
- Indirect Cost Balance: The portion of the remaining balance that is indirect costs.
WISER Analysis Tab – Final Report Calculation

Budget Column: Manually entered by the RSP accountant from budget documents.

Final Report Calculation – Budget Column

Expenses Column: Draws expense totals from the Direct Cost Tab based on budget categories.

Final Report Calculation – Expenses Column
Final Report Calculation – Adjustments Column

Adjustments Column: Draws adjustments from the Pending Adjustments section of the WISER Analysis Tab and breaks them down by budget category.

Final Report Calculation – Previously Reported Column

Previously Reported Column: Cumulative expense totals from the penultimate report are manually entered here by the RSP accountant.

Final Report Calculation – Final Invoice Columns

Total to Report Column:
- The current amounts that will appear on the Final Report.
- Total to Report = Expenses - Adjustments - Previously Reported

Cumulative Total Column:
- The cumulative amounts that will appear on the Final Report.
- Cumulative Total = Expenses - Adjustments
- Cumulative Total = Previously Reported + Total to Report
WISER Analysis Tab – Reported Totals (Previous & Current)

• Reported Totals – Previous and Current: This register performs the same calculation as the F&A Check above on the same tab (see slide 78) but now incorporates previously reported expenses & adjustments.

• Total Costs Columns:
  - $126,047.17 = The cumulative amount from Inception through the Final Report.
  - $120,820.88 = The cumulative amount from Inception through the Penultimate Report.
  - $5,226.29 = The current amount that will appear on the Final Report.

WISER Analysis Tab – Project Information

Project Information: Project-specific information imported from WISER.

WISER Analysis Tab – WISER Financials

WISER Financials: Project-level numbers imported from the WISER Financials Tab.