



EXTRAMURAL FUND MANAGEMENT

MARCH 14, 2024



FY23 SINGLE AUDIT REPORT

Yoon Lee

SINGLE AUDIT

- PwC started single audit for the fiscal year ended June 30, 2023 in July 2023 and completed in February 2024.

4

Overview

UC receives two audits every year by independent auditors besides numerous audits by sponsoring agencies. These two audits are conducted on parallel leveraging certain audit procedures for both.

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 (Uniform Guidance Audit)

- 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 in accordance with Uniform Guidance.
- Single audit is conducted in accordance with Uniform Guidance (2 CFR 200. Subpart F)

UCLA Research Administration

From RAF in July 2023

SINGLE AUDIT: COMPLIANCE TESTING

- UCLA receives federal funding in various clusters in Research & Development, Student Financial Assistance, and others.
- For FY22-23, PwC focused on the **Research & Development clusters** and **UCLA, UCSF, UCB, and UCSB** were selected for full scope testing.
- **Compliance testing** areas:
 - Allowable costs / Cost principles
 - Cash Management
 - Equipment and Real Property Management
 - Period of Performance
 - Procurement, Suspension and Debarment
 - Reporting
 - Subrecipient monitoring
 - Special Tests and Provisions: Key personnel

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 Uniform Guidance.
- Audit results including auditor’s opinion are summarized in “[Schedule of Findings and Questioned Costs](#)” in the report.
- The entire audit report has not been published yet but will be available at:
 - [Federal Audit Clearing House](#)
 - [University of California UCOP Single Audit reports](#)

SINGLE AUDIT: TERMINOLOGY

- **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.

SINGLE AUDIT SUMMARY OF RESULTS

Financial Statements

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

Federal Awards

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

Auditee qualified as a low-risk auditee?

Yes

SINGLE AUDIT: FINDINGS

- **Financial Reporting Findings:**
 - 2023-001: IT General Controls for Retirement System (Significant Deficiency)
- **Federal Award Findings (No Questioned Costs): UCLA findings are in blue**
 - 2023-002: Transfer of costs from HEERF to FEMA not reported in HEERF quarterly report
 - 2023-003: Equipment and real property management (R&D)
 - 2023-004: Procurement, Suspension and Debarment (R&D)
 - 2023-005: HEERF lack of compliance at one campus - (Significant deficiency)
 - 2023-006: Completeness and accuracy of certain programs on the Prior Year Schedules of Expenditures of Federal Awards (SEFA) - (Significant Deficiency)
 - UCLA BFS submitted management responses for findings 2023-002, 2023-003, and 2023-004 as BFS is responsible for these areas.
- **Did either finding 2023-003 or 2023-004 relate to the subawards UCLA received from pass-through entities?**
 - Yes, all exceptions on “Procurement” were on direct federal awards but exceptions on “Equipment” were noted on subawards at UCLA.
 - If you receive an audit related question from the pass-through entities, forward it to RFCHelp@research.ucla.edu. EFM will handle the question.

SINGLE AUDIT: FINDING IN R&D

- **2023-003: Equipment and real property management (R&D)**
 - Requirement: 2 CFR 200.313(d) requires that a **physical inventory of equipment** acquired in whole or in part under a Federal award must be taken and the results reconciled with the property records **at least once every two years**.
 - Finding: PwC selected seven custodians for equipment observation procedures and noted that two custodians with equipment that had not been inventoried within the two-year timeframe (803 out of 1,541 pieces of equipment from two custodian had not been inventoried within the two-year period)
 - Cause: The custodians indicated that they completed the inventories; however, due to the volume of assets they either do not update the dates in the equipment management system or update them well after-the-fact due to a manual process.
 - Effect: Federal equipment inventories that are not completed in a timely manner, could result in assets purchased with federal funds not being appropriately safeguarded.
 - Management response: UCLA BFS submitted the response including corrective actions and they will be completed by April 30, 2024.

SINGLE AUDIT: FINDING IN R&D

- **2023-004: Procurement, Suspension and Debarment (R&D)**
 - Requirement: 2 CFR 200.318(i) notes that non-Federal entities must maintain records sufficient to detail the history of procurement, including rationale for the method of procurement, selection of contract type, the basis for the contract price and etc. Non-federal entities are also prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred.
 - Finding: PwC tested 25 procurement selections and noted that 1) the source selection and price reasonableness justification form was not completed for four selections, 2) suspension and debarment checks were not dated for seven selections, as such, PwC was unable to confirm if these checks were completed in a timely manner, 3) suspension and debarment documentation could not be obtained for six selections, and 4) suspension and debarment certification from was dated after posting of the purchase order. This is a [repeat finding of 2021-003](#), which continued to remain open during FY2022.
 - Cause: Buyer's lack of understanding of the federal purchase requirements and absence of additional levels of reviews required.
 - Effect: The University may not select a vendor in the most efficient manner without following proper federal procurement procedures and may do business with a vendor that is suspended or debarred.
 - Management response: UCLA BFS submitted the response explaining that the new BruinBuy Plus improved the controls and additional training for the buyers will be provided.

SINGLE AUDIT: PRIOR YEAR FINDINGS

- **2021-003:** Suspension and debarment – remained open during FY22 and a repeated finding: **2023-004**
- **2021-004:** Cash Management – **Resolved:** OMB updated the compliance supplement document to be in consistent with Uniform Guidance.
 - UCLA disagreed with the finding. UCLA maintained the position that we were in compliant with Uniform Guidance and expressed that this finding was the result of inconsistency in the UG requirements and audit procedures required in the OMB compliance supplement document and it did not reflect a lack of internal control in UCLA.

Finding 2021-004: Cash management

10

- **Why does PwC call out this as a finding?**
 - **“Compliance Supplement”** is 2CFR Part 200, Appendix XI that provides auditors with audit objectives and suggested audit procedures for determining compliance with federal program’s compliance requirements.
 - OMB Compliance Supplement Part 3. Section C. Cash Management: Audit objective #4 says, *“For grants and cooperative agreements to non-federal entities that are paid on a reimbursement basis, supporting documentation shows that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.”*
- **Why does UCLA have a different opinion?**
 - UCLA maintains accounting records on an accrual basis and indicates in the Federal Financial Report that it reports expenditures on an accrual basis of accounting.
 - Requesting reimbursement for the costs incurred and recorded in the Financial System on an accrual basis is compliant with the requirements stated in **2 CFR Part 200.305 Federal Payment.** *“ minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity.”* It does not require that a payment must be made before requesting a reimbursement.
 - The definition of “Expenditures” provided in **2 CFR Part 200.1 Definitions** further supports this. “Expenditures” on an accrual basis include “the net increase or decrease in the amounts owed by the non-Federal entity for: Goods and other property received; and services performed by employees, contractors, subrecipients, and other payees.
 - This finding is the result of policy inconsistency. In October 2017, Council on Governmental Relations wrote a letter to OMB requesting the Compliance supplement to be amended. OMB has not provided a clarification yet.

From RAF in August 2022

SINGLE AUDIT: TAKE AWAYS

- **Thank you** for actively monitoring the sponsored project funds that led us to have successful single audit!
- **Key compliance Requirements applicable to Research and Development**
 - Allowability of costs including cost transfers, cash management, equipment, period of performance, Procurement, suspension and debarment, reporting, subrecipient monitoring, and key personnel effort.
- **Cost Transfers**
 - Process timely. Document answers to cost transfer questions for ALL cost transfers. Auditor's testing is not limited to high-risk cost transfers. Cost transfers without answers indicate lack of basis to support its allowability.
- **Cash Management**
 - All expenses must be recorded in the general ledger before requesting for reimbursement.
- **Period of performance and Reporting**
 - Submit a complete closeout packet timely and maintain documentation for expenses recorded in the general ledger after the project period but reported to the sponsor.
- **Subrecipient expenses**
 - Ensure that the PI's signature is included to indicate the approval of expenses with the date.
- **Key Personnel**
 - Monitor actual effort of key personnel identified in the agreement to ensure that it satisfies the committed effort and certify effort reports on-time.

QUESTIONS?

Contact Information

EFM Website

<https://efm.research.ucla.edu/>

Yoon Lee

Phone: (310) 794-0375

Email: yun.lee@research.ucla.edu

Audit inquires?

Email: RFCHelp@research.ucla.edu