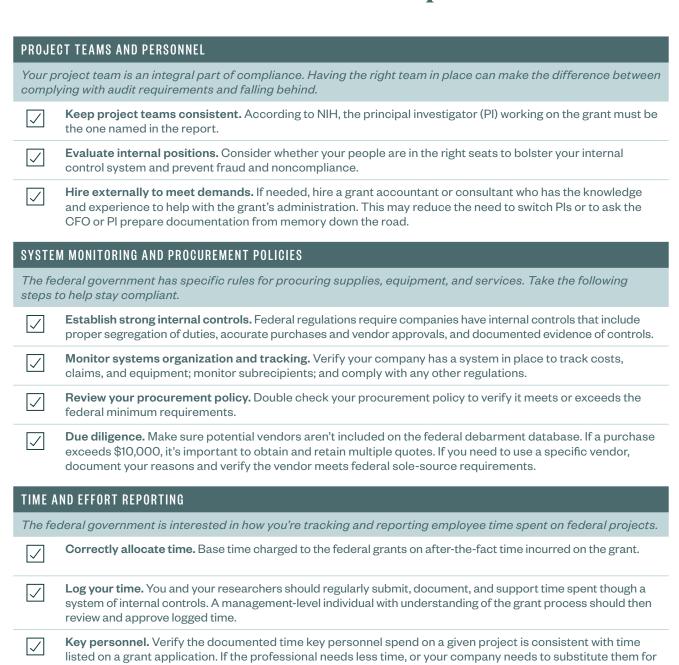


TECHNOLOGY AND LIFE SCIENCE

Federal Research Grant Compliance Checklist



another professional, get approval from your grantor before making the change.

Federal agencies acknowledge that costs beyond those directly charged are required to run grants. Often agencies will allow indirect costs to be charged based on a rate. Determine your actual indirect cost. Calculate your indirect-cost rate based on the approved formula from the granting agency. This will be your starting point to determine a potential allowable rate. Negotiate indirect-cost rate. Consider negotiating an indirect-cost rate with your cognizant agency. This will simplify the process and apply a single rate to all grants. If you don't negotiate your indirect-cost rate, you may need to track multiple rates. Review direct-cost base. Verify your policy requires use of the appropriate direct-cost base. Often, large purchases are excluded to prevent indirect-charge inflation.

Document internal controls. Companies often calculate the indirect charge when calculating the federal draw down. Implement a system of internal controls, including draw review and approval, that incorporates a comparison of the rate used and the allowable rate. If you overcharge the grantor, you'll need to pay it back.

Align rate used. When charging the grantor, match the rate to either your actual rate or the grantor-approved

SUBRECIPIENT MONITORING

rate, whichever is less.

Your policies should include a robust process for monitoring subrecipients.

Perform a risk assessment. Create a robust due diligence process and make decisions based on the results. Questions to ask when assessing third-party risk include:

- Have you worked with the subrecipient in the past?
- Does the subrecipient receive an annual single audit?
- If so, are there any findings?
- Does the subrecipient have a system for tracking and reviewing costs incurred on individual grants?
- Obtain the single audit report. If a subrecipient undergoes an annual federal single audit or compliance audit, set a reminder to obtain the report and check for findings.

 Suspension and debarment. Throughout a contract, check the federal debarment database annually to make sure a potential subrecipient isn't debarred from federal contracting.
- Ongoing monitoring. Create a system to monitor not only a subrecipient's research activity, but also their financial health. For example, questionnaires, regular check-ins, and site visits can be necessary. Base the need and frequency of check-ins on the results from your risk assessment.
- Follow up on findings. If you identify deficiencies, cost issues, or findings that affect your grant in the single audit report, follow up with the subrecipient to make sure they're resolved.

AUDIT PROCESS

The external audit process can be summed up in three stages, which include action steps your company could benefit from applying.

\checkmark	Internal audit planning. Show auditors how much spending and what type of spending your company did
	by grant.

	Sampling. Supply auditors with a complete list of costs, subrecipients, equipment, and claims. They'll then
	select individual transactions or other qualitative items for compliance and controls testing. Depending on the
	assessed risk and volume, the number of selected items could range from dozens of transactions to hundreds.

./	Testing. Provide auditors with invoices, reports, and other source documentation to review. They'll need to
ت	interview employees, including the PI on the grant. Auditors are required to test not only your compliance, but
	also your internal controls over compliance, so make sure you're evidencing your reviews along the way.

Remember, just because you're in compliance, doesn't mean there aren't control deficiencies you may need to report.