STAR | STRENGTHENING ADMINISTRATION OF RESEARCH

2023 Workshop Series

- Welcome! Thank you for joining us. The workshop will begin shortly.
- Please check that you are on mute and your video is off.
- Workshop resources (slides, questions, etc.) will be distributed after the workshop.

Reminders

- Please mute your audio and turn off your video.
- There will be Question & Answer time at the end of the session. Please type your questions into the chat box.
- Turn on captioning if needed.
- This session will be recorded.
- Slides and recording will be shared following the session.

2023 STAR Workshop #7

Internal Audit

Internal Controls & Improving Research Expenditure Compliance

Audelyn Budihardjo, Audit Manager, Internal Audit
Lusine Amirkhanyan, Senior Auditor, Internal Audit
Keziah Lo, Auditor, Internal Audit

November 15, 2023, 10:30-11:30am

Access Check

If there is anything (presenter screen, sound, general tech issues) that may affect your participation in this session, please use the Zoom chat to send a private chat message to Won Yoo.

Land Acknowledgement

"I (we) wish to acknowledge this land on which the University of Toronto operates. For thousands of years it has been the traditional land of the Huron-Wendat, the Seneca, and the Mississaugas of the Credit. Today, this meeting place is still the home to many Indigenous people from across Turtle Island and we are grateful to have the opportunity to work on this land."

Agenda

- Internal Audit
- RECAP: Objectives and Process
- Internal Audit RECAP Process
- Case Study
- Common Observations
- Questions & Answers

Poll Question 1

The Internal Auditors can most appropriately be referred to as:

- 'The Compliance Commandos'
- 'The Financial Police'
- ✓ **'Our Trusted Advisors'**
- 'The Number Nerds'

Internal Audit

What We Are

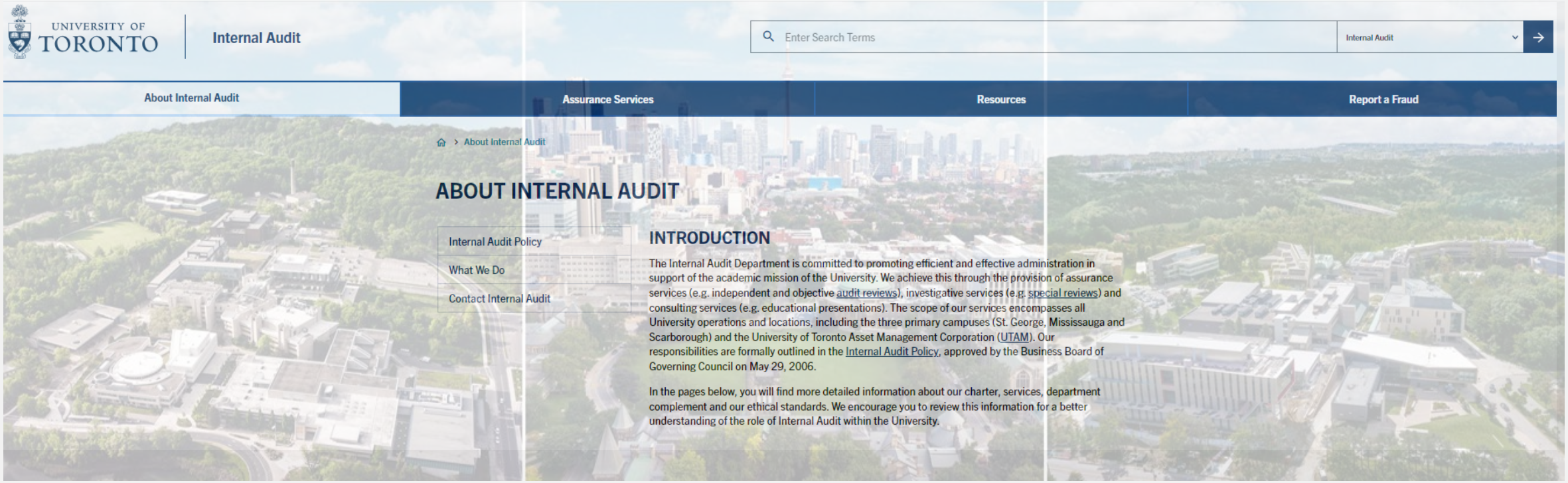
- ✓ An **independent** and **objective** University Department that provides assurance and consulting activity

Our Purpose

- ✓ **Assists the University** in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and **improve the effectiveness of the University's risk management, control and governance** processes.

Internal Audit

Visit our website for more information:
https://governingcouncil.utoronto.ca/internalaudit

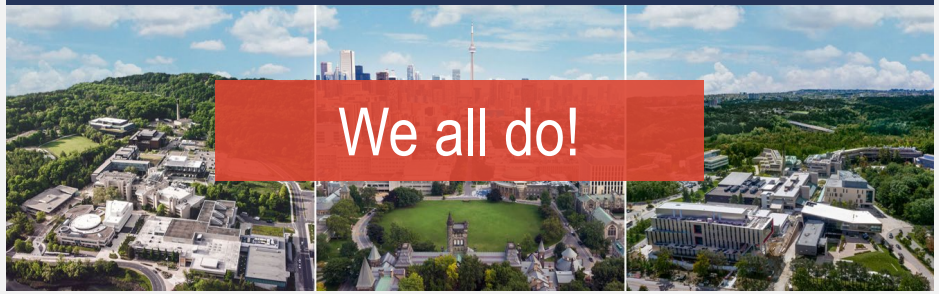


Internal Controls

Internal controls are the tasks that are in place to help address risks.

*What can go wrong? → **Risk***
*What can we do to make sure that doesn't happen? → **Control**"*
(acua.org)

Who plays a role in internal controls?



General example of financial risk

Inadequate documentation to support charges to grant

General control example

Department admin staff matches the purchase order, invoice and receiving slip before marking the supply as received

Research Expenditure Compliance Assessment Program (RECAP) Overview

What we do and how we do it

Review, assess, and report on research expenditure compliance

Create awareness about the importance of internal control activities and compliance

Assist with training & education (e.g. STAR Conference)

Internal Audit: RECAP Process

Step1 : Kick-Off

- ✓ Notify via email and offer Kick-Off meeting
- ✓ IA SharePoint used for file sharing

Step 2 : Review

- ✓ Review supporting documents against criteria

Step 3 : Meeting

- ✓ Meet with Finance Director and Business Officer to review preliminary results based on support received

Step 4:Reporting

- ✓ Draft report provided for comments
- ✓ University Controller, VPRI and FAST receives copies of the final reports

RECAP - Criteria

Eligibility	Expenditures to be necessary and directly relevant to research, be effective and economical, not be provided by the University and not result in personal gain.
Completeness	✓ **purpose/relevance** properly **documented** with sufficient information/details; ✓ **supporting documentation/evidence** verifies the indicated purpose through appropriate receipts, forms, invoices and others.
Accuracy	Timing, amount and occurrence of expenditures
Authorization	Claims to have **grantee's approval**, and be counter-signed where required
Other	Compliance with Procurement Policy, GTFM and other requirements

Poll Question 2

Which of the following is important for a transaction to be compliant?

- It is recorded in the correct amount and has been properly authorized
- There are sufficient details and supporting documents to verify the research purpose of the expenditure
- It meets the GTFM, Procurement Policy and other University and/or sponsor requirements
- The expenditure is for an eligible cost of research
- ✓ **All of the above**

EXAMPLE

FI document number	Document Type	Payment budget amount in FM area	G/L Account	G/L Acct Long Text	Posting Date	Document Date	Cost Center	Cost center name	Funds Center	Funds cente	Fund	Fund name	User Name (FI doc)	Vendor name	Supplie r	Commitme nt Item
[redacted]	KN	8,000.00	835000	Services general	2022-06-09	2022-03-31	2xxxxxx	-------	2xxxxxx	-------	5xxxxx	-------	ABCDEFG	Joe Smith	990001	SERVICES

Joe Smith

803 Keele Str. E, Suite 120
Toronto, ON, [redacted]
Phone: (416) [redacted]
[redacted]@gmail.com

INVOICE

INVOICE # 2022100
DATE: MARCH 31, 2022

835000
E0
190[redacted]

INVOICE TO:
Prof. [redacted]
University of Toronto
Department of [redacted]
[redacted] St. George Street
Toronto, ON, M5S 3H6
[redacted]@utoronto.ca

To be re-allocated to [redacted] CFC [redacted] when budget available

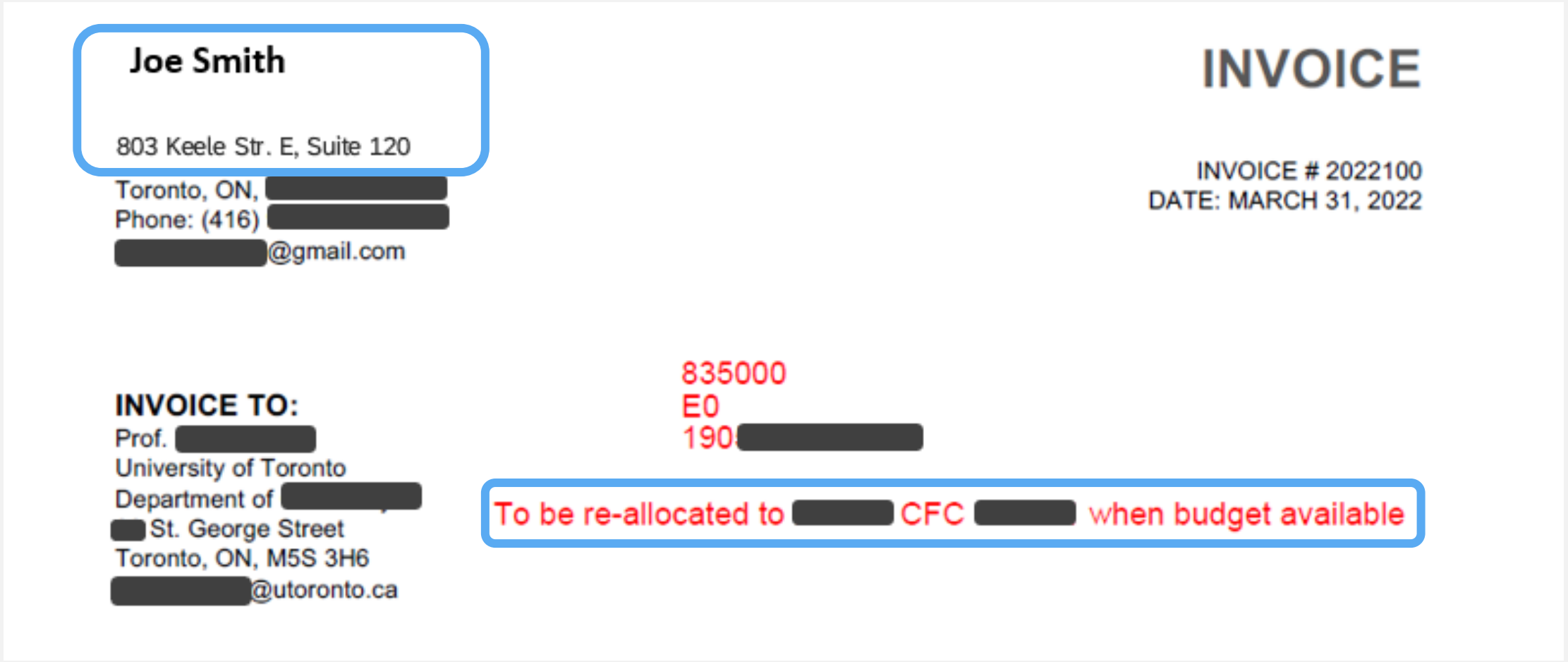
QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	Invoice 1 of 2 • Compilation of appropriate documents, sorting, and formatting • Checking materials for consistency • Input references into reference manager • Scheduling and arranging of the team and with industry partners	$8,000.00	$8,000.00
		TOTAL	**$8,000.00**

Please make all cheques payable to Joe Smith and mail to:
803 Keele Street East, Suite 120 Toronto, ON, M2N [redacted]

Criteria:

- Eligibility
- Research relevance / Supporting Documentation
- Accuracy
- Authorization
- Other

EXAMPLE (continued)



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Poll Question 3

Which of the following is NOT a common area of issues identified during the review of research expenditure compliance?

- Grant-related purpose for the expenditures is not clear.
- Expenditures do not directly contribute to the funded research/activities and hence are ineligible.
- GTFM and/or other University procedures are not followed for purchasing goods/services and appropriately recording in FIS.

✓ **Grant recipient has not authorized the expenditure.**

Common Issues

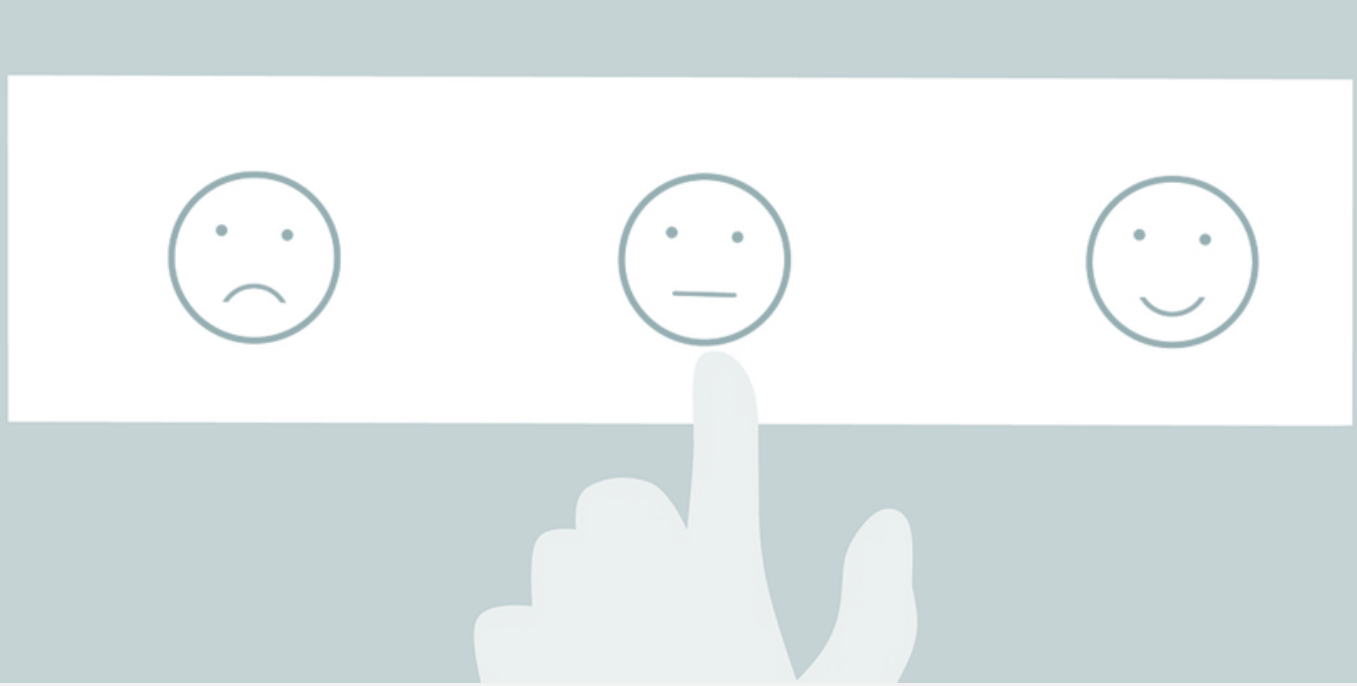
- Purpose and **direct relevance** of expenditure to funded research **not clear**:
  - **Potentially ineligible**, if not substantiated
  - Personal travel component involved in Expense Claims
  - Significant in PCard purchases due to the nature of transactions
- Non-compliance with GTFM, Procurement and other policies and procedures
  - Inappropriate use of OTAs, Invoice payments to individuals, purchases exceeding competitive procurement thresholds, etc.
  - Significant in Invoice charges
- Supporting documentation, including missing receipts/invoices and proof of payment

Summary

KEY TAKEAWAY	Individuals in **research administration** have an important role in exercising effective **internal control** activities for better research **compliance**;	**Document** grant-related **purpose** and relevance of the expenditure, so that it can be clearly **understood** by an outside party.	Attend training and keep up to date with changes
AREAS TO CONSIDER	✓ Review admin operations and determine areas to be addressed in more detail ✓ How do you welcome someone new?	✓ Networking – share best practices	✓ Review Training and Resources offered by VPRI, including past STAR sessions ✓ FAST Lunch and Learns
RESOURCES	➢ Guide to Financial Management ➢ Research Administration Training: STAR Program	➢ Expense Reimbursement Checklist April 2020 ➢ Faculty/Division FAST Representatives	➢ Training & Resources | VPRI ➢ Fast Monthly Lunch and Learn ➢ Updates and Changes to the GTFM

Question & Answer

Feedback, please!



STAR | STRENGTHENING ADMINISTRATION OF RESEARCH

DIVISION OF THE VICE-PRESIDENT, RESEARCH & INNOVATION

Thank you!