Audits and Reviews: Who is Looking and How Can We be Prepared?

2015 Office of Sponsored Research Symposium
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Session Agenda

- What Should You Do and Not Do When Contacted by an External Auditor/Reviewer?
- Who Audits Us and Why?
- What Do Auditors Often Ask For?
- What Do Auditors Often Find?
- Who is Responsible for What?
  - Before – During – After the Engagement
- Hot Topics
- Recent Audits & Findings
- Who is Looking? – Find Out Here
- Questions?
What To Do When Contacted By an External Auditor/Reviewer?

- Introduce the auditor/reviewer to the Office of Sponsored Research (OSR)
  - provide ORS contact names and/or email contact information
  - OSR Contacts: Vanessa Peoples, Sharon Brooks, Jenifer Gwaltney
- Forward any written communication from the auditor to OSR
- Communicate that it is the institution’s position to include the OSR as the lead liaison during their engagement
  - share that OSR will be contacting them soon for additional information
- Advise the respective Departmental/School/Center or Institute and the Principal Investigator(s) of the contact
What **Not** to Do When Contacted by an External Auditor/Reviewer?

- Provide financial or technical details immediately upon contact
- Respond to/agree to a start date of engagement
Who Audits Us and Why?

Who?

• The State
• Our Cognizant Agency – Dept. of Health and Human Services
• Defense Contact Auditing Agency
• Specific Sponsors
• Department of Justice

Why?

• Federal requirement - $750,000 or more expended in a year
• Representing federal sponsors
• Hired by the cognizant or specific agencies
• Assurance that funds were properly expensed
• Allegations of fraud or misrepresentations have occurred (Whistle Blower/Qui Tam)
What Do Auditors Often Ask For?

• Policies and Procedures
• Organizational Charts/Contact Names
• Details on any prior audits
• Access to responsible faculty and staff
• Access to research space
• Award/Project documents – budgets/narratives
• Complete and detailed financial transactions
• Supporting documentation/justification
• ANSWERS....
What Do Auditors Often Find?

• Inadequate policies and procedures
• Failure to act in accordance with policies/procedures
• Inconsistent practices
• Lack of or inadequate documentation
• Lack of understanding with institutional practices
Who Is Responsible for What – Before the Engagement Starts

OSR
- Obtaining the scope of the audit (if shared)
- Providing adequate workspace
- Providing documentation prior to on site visit

PI/Department/School
- Providing documentation as requested by OSR
- Locating supporting documentation
- Responding to OSR requests in preparation

See UNC-CH Policy 800.1
http://research.unc.edu/offices/sponsored-research/policies-procedures/section-800/policy-1/
Who Is Responsible for What – During the Engagement

**OSR**
- Acting as the liaison between the auditor and department
- Providing documentation that is retained at an institutional level
- Helping to schedule interviews and visits with key stakeholders
- Keeping abreast of any concerns

**PI/Department/School**
- Providing documentation as requested by OSR
- Ensuring access to personnel and facilities
- PI/key stakeholders involvement (Q&A)
Who Is Responsible for What – After the Engagement Ends

OSR
- Attending the exit conference
- Preparing the institutional response
- Assuring that all findings/corrective actions are taken by the respective PIs/unit(s)
- Updating institutional policy/procedure

PI/Department/School
- Acting in accordance with institutional response
- Taking action in correction of all noted findings (financial transactions are completed)
- Correcting any operational, financial or other deficiencies
HOT Topics

- Internal Controls
- Payroll Distribution/Compensation Practices and Effort Certifications
- Costing Practices – Direct and Indirect Decisions
- Travel and Food Costs (food charged when not in travel status)
- Cost Transfers
- Cost Allocations – charges commensurate with benefits gained by the project(s) sponsored and non-sponsored
- Subrecipient Monitoring
- Recharge/Service Center Rates
- Cost Sharing
- Financial Reporting and Closeout

**Always in play: Non-Financial Compliances**
Conflict of Interest – Human and Animal Subjects
Recent and Landmark Audits and Findings

• **Univ. of Minnesota** - $32 million
  Numerous cost transfers charging sponsored awards could not be supported; program income and human subjects non-compliance

• **Columbia** - $9 million
  Mischarging effort – Qui Tam

• **Florida State** - $6 million (resolved $3 million)
  Improper cost allocation practices for lab research expenses – pipette tips; graduate compensation exceeded the NIH threshold
Recent and Landmark Audits and Findings

• **Virginia Tech** - $1.6 million
  NSF PI salary over the 2 months limit
• **Univ. of California San Diego** - ??
  Administrative/Clerical costs; uncertified effort reports
• **New York Univ.** - $78 thousand
  Unallowable indirect costs, charges for travel and equipment late in the project period of performance
Recent and Landmark Audits and Findings

• **Northwestern Univ. - $3 million**
  PI charging federal funds for personal family travel and subaward to family – Qui Tam

• **Duke Univ. - $1.6 million**
  Administrative/Clerical costs and inconsistent costing practices

• **Yale Univ. - $11.7 million**
  $10 million in unsupported cost sharing; inadequate subrecipient monitoring
Who is Looking: Find Out Here!

• National Conference on College Cost Accounting (NACCA) – Summary of Audits and Findings
  http://www.costaccounting.org/audits

• Department of Health and Human Services
  http://oig.hhs.gov/oas/reports/region4/41301024.asp (UNC-Chapel Hill)

• National Science Foundation
  http://www.nsf.gov/oig/reports/
Questions?