

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

2015 Office of Sponsored Research Symposium

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# Session Agenda

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- 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 OSR 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

Internal Audit

## 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

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- 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/reports-and-publications/oas/nih.asp>;

<http://oig.hhs.gov/oas/reports/region4/41301024.asp> (UNC-Chapel Hill)

- National Science Foundation

<http://www.nsf.gov/oig/reports/>





Questions?



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