

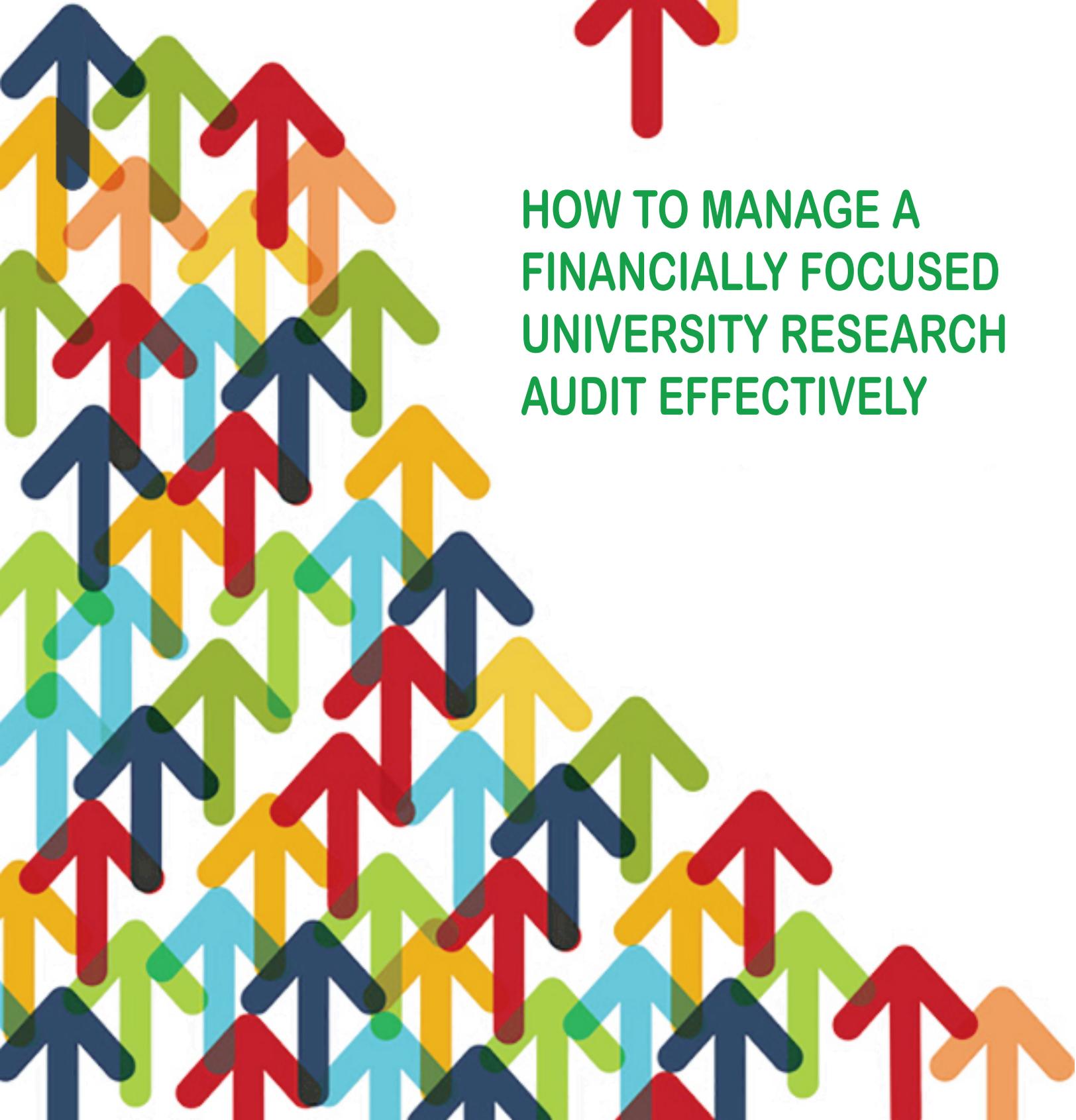


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HOW TO MANAGE A FINANCIALLY FOCUSED UNIVERSITY RESEARCH AUDIT EFFECTIVELY



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ASHLEY DEIHR, CPA, CIA, CFE, Senior Manager at Baker Tilly, is a member of the firm's Higher Education and Research Institutions Practice specializing in assisting institutions with organizing for compliance, managing sponsored research risks and processes, and achieving strategic objectives.



KIMBERLY GINN, CIA, Partner at Baker Tilly, is a leader in the firm's Higher Education and Research Institutions Practice with over sixteen years of experience advising on research risks and controls, compliance infrastructures and programs, governance structures, and complex audit matters.



JEFFREY SILBER, Senior Director of Sponsored Finance at Cornell University, is responsible for post-award finance, cost accounting and capital assets. He has over three decades in research administration, is active with NCURA and serves on the Costing Committee of the Council on Governmental Relations (COGR).





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Established in 1959, the National Council of University Research Administrators (NCURA) is the first and largest association for research administrators. The organization offers a broad range of professional development programs, both in person and online, an online networking platform, as well as other services to support individuals and institutions. Additional publications include:

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Summary of Key Audits of the Sponsored Research Function

The audit burden on university research functions is multifaceted. First, your institution may be subject to federal – often through an agency’s Office of Inspector General (OIG) – or other sponsor audits that either target specific programs or awards, or cover the research portfolio from a specific sponsor. Though these audits generally occur on an ad hoc basis, some specific programs require annual or other regular audits. Second, if your institution receives over \$750,000 in federal funding – including student aid such as issuing direct loans – each year, it will be subject to an annual Single Audit to be performed by the external audit team, typically in conjunction with the annual financial statement audit. Third, your research function may be subject to internal audits according to your institution’s annual internal audit plan, or to internal investigations or reviews occurring on an as-needed basis (e.g., to respond to a whistleblower allegation). Fourth and finally, given the enhanced emphasis on subrecipient monitoring promulgated by the Uniform Guidance (UG), if your institution receives subawards it will likely be subject to subrecipient monitoring site visits, desk reviews, or other audit activity by the prime institution.

It is important for institutions to understand the role and impacts that audits may have on their research, and be able to respond effectively when they occur. Below we have outlined the key characteristics of each of these four types of audits, including a general overview, timing, who typically conducts these audits, and the typical audit scope and purpose. We have also highlighted specific tips on preparing for, and managing the audit process to optimize the outcome of the review.

Sponsor/Office of Inspector General (OIG) Audits

Overview: Federal sponsoring agencies or other sponsors may conduct audits of their recipients. The right to audit recipients of funds is typically outlined in the terms and conditions of the award, either directly or through reference to sponsor guidance documents. For nonfederal agencies the extent and nature of audit rights can vary based on the specific wording of the award. It is therefore important that your institution’s pre-award office is cognizant of the right-to-audit clauses agreed to in various awards.

For federal sponsoring agencies, audits are generally conducted by or through an OIG. Per the Inspector General Act of 1978, these offices exist to create independent and objective units:

- (1) to conduct and supervise audits and investigations;
- (2) to provide leadership and coordination and recommend policies for activities designed:
 - (A) to promote economy, efficiency, and effectiveness in the administration of; and
 - (B) to prevent and detect fraud and abuse in, such programs and operations; and
- (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

Introduction: What is an Audit?





Introduction: What is an Audit?

These audits aim to identify uneconomical practices such as improper cost charging and other instances of noncompliance with either the UG or the award specific terms and conditions, with the ultimate goal of protecting taxpayer dollars and maximizing agency impact. An institution is most likely to receive OIG audit scrutiny from those agencies from which it receives the most funding; for most institutions common OIG audits will include the Department of Health and Human Services (HHS), the National Science Foundation (NSF), and the Department of Defense (DOD). OIG audits may review the agency's role in an award, as well as your institution's since the OIG has audit responsibility of their agency operations and across all federal programs. Sponsor audits may be focused on a specific program or project, general sponsored program administration operations and compliance, or the larger research portfolio of the institution. It is crucial to gain a full understanding of the scope of your specific audit in order to properly prepare.

Timing: The timing of sponsor audits can vary. Though certain programs may require an audit be performed prior to the receipt or commencement of an award, audits most commonly cover awards that are active (i.e., during the life of the award), inactive but still open, or closed. Based on federal document retention guidelines, institutions can expect to be audited only on awards that are current or have submitted a final report or received final payment within the past three years; once an audit is initiated, however, audit activities can continue for several years beyond that timeframe. Sponsor audits can cover one or more awards, up to and including your full portfolio of awards received from the sponsor. Sponsor audits are determined at the discretion of the agency; your institution could be audited multiple times in the same year, or you could spend a decade between external audits.

Auditing Body: The identity of the group performing a sponsor audit can vary. For example, audits can be conducted by the OIG of a federal sponsoring agency for its own agency or on behalf of another agency (e.g., NSF can outsource an audit to the HHS OIG or the Office of Naval Research [ONR] can bring in the Defense Contract Audit Agency [DCAA]). In addition, private accounting firms can be contracted to perform these audits on behalf of an agency. For nonfederal sponsors, the audit group can be a state or local audit function (e.g. state comptroller or city auditor), a management group from the sponsoring entity, or an outsourced audit firm. The nature of the audit team can impact timing, communications, and audit procedures, and can therefore vastly impact the progress and outcomes of your audit.

Audit Scope and Purpose: In practical terms, sponsor audits frequently focus on expenditure transactions, specifically whether costs charged to an award are:

- Allowable (i.e., is the cost in compliance with the UG, sponsor guidance, and/or award terms and conditions);
- Allocable (i.e., is there a direct causal-beneficial relationship between the cost and the project charged);
- Reasonable (i.e., would a prudent person deem the nature and amount of the cost appropriate to be charged to the project); and
- Consistently treated (i.e., is the same cost treated consistently, for example as a direct or an indirect cost, across the institution).

While expenditures are often the main focus of sponsor audits, sponsors may review almost any facet of your institution's research administration processes and controls that are addressed by the UG, sponsor guidance, or award terms. Other common areas for review include cost allocation

(especially charging indirect costs directly), compliance with sponsor-specific terms and conditions, reporting, and subrecipient monitoring. Additionally, sponsors may assess whether your institution has successfully delivered the agreed-upon programmatic outcomes of select projects and grants/contracts. Regardless, as stated above, it is critical to get a complete understanding of the scope of such audits.

Federal Single Audit (Often Called A-133 Audit)

Overview: The Single Audit Act was enacted in 1984 to require not-for-profit recipients of federal assistance – including universities, not-for-profit organizations, and state, local, and tribal governments – to obtain an annual or biannual audit of all federal activity. As a result of the implementation of the UG on December 26, 2014, institutions and organizations expending more than \$750,000 in federal awards per year are required to submit to an annual Single Audit. This audit was previously nicknamed by the implementing regulation as the OMB Circular A-133 audit (or “A-133 Audit” for short). The preferred current term for these audits is the “Single Audit,” though many research professionals will reference the “A-133 Audit.”

Traditionally, the Single Audit has been the federal government’s means of obtaining reasonable assurance, via an independent third party auditor (i.e., a certified public accounting firm or, for governments, a government audit agency), that grantee institutions are appropriately stewarding federal funds, and are in compliance with applicable federal, state, sponsor, and award-specific regulations.

Timing and Auditing Body: For most colleges and universities, especially those that are private, the Single Audit occurs annually. It is most typically performed by the same accounting firm that the institution engages for the financial statement audit, and may be conducted in conjunction with the financial statement audit. State universities, on the other hand, may have the Single Audit performed as part of the overall state submission; it may be performed by the State Comptroller or Auditor; and it may be biannual.

Audit Scope and Purpose: The Single Audit involves selecting a sample of federal awards and expense charged to those awards, and testing whether costs are in compliance with the UG Subpart D (Administrative Requirements), the UG Subpart E (Cost Principles), and award terms.

Specific areas of testing are guided by OMB’s annual Compliance Supplement, which provides a summary of compliance requirements, audit objectives, and specific suggested audit procedures for the following compliance areas (which are subject to change):

- Activities allowed or unallowed
- Allowable costs/Cost principles
- Cash management
- Eligibility
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of performance
- Procurement and suspension and debarment
- Program income
- Reporting
- Subrecipient monitoring
- Special tests and provisions

Introduction: What is an Audit?





Introduction: What is an Audit?

The compliance supplement can be used as a resource for understanding which compliance areas will be reviewed in the Single Audit, and the types of audit procedures to expect in each area. Each year's Compliance Supplement typically includes an Appendix outlining changes from the previous year, allowing you to plan long term and focus only on key changes from year to year.

Internal Audits

Overview: Internal Audit is a group within an institution that provides independent and objective assurance and advisory activities. The overarching goal of Internal Audit is to evaluate and improve the institution's governance, risk management, and internal control processes and structure.

Auditing Body: An institution's Internal Audit department typically has a direct reporting relationship to an Audit Committee of the Board of Trustees or governing board. However, the group may also have a functional reporting relationship to a senior member of management, such as the Executive Vice President, Chancellor, or President of an institution.

Timing: Internal Audit prepares an annual audit plan, which is approved by the Audit Committee, and at institutions receiving significant research funding this topic would likely be addressed as part of the long term plan. In addition, Internal Audit can perform advisory and ad hoc work at the request of the Board or management, and is also commonly tapped to perform investigations in response to whistleblower or other accusations.

Audit Scope and Purpose: Internal Audit activities related to sponsored research can be varied and include allowable cost reviews, research administration internal controls reviews, and advisory engagements, for example, to assess the impact of a new regulation or to enhance a process that is known to be ineffective. An Internal Audit project could focus on either multiple processes within one school or division (potentially including processes broader than the sponsored research arena), or on one process as conducted in many areas across the institution (e.g., effort reporting). Internal auditors may review compliance with non-financial requirements pertaining to research such as those associated with animal care or human participants. Internal Audit also performs follow-up reviews, both to ensure that its own previous audit recommendations have been implemented, and to review progress made relative to external audit findings and/or on corrective action plans.



TIP:

Understand who can audit your institution and what types of audits can occur. If you understand the goals of your auditors, you can better prepare to manage the audit process start to finish.

Subrecipient Monitoring Audit Activities

Overview: Per the UG §200.331 requirements for pass-through entities, an institution is responsible to “monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the award... through audits, on-site reviews, and other means.” This language serves to emphasize the need for more robust monitoring on the part of prime institutions (referred to as “pass-through entities”), and is likely to lead to prime institutions performing more frequent and extensive audits of their subrecipients.

Timing: Most pass through entities (PTE) perform some sort of subrecipient monitoring annually, even if only reviewing the subrecipient's Single Audit and issuing a management decision. The performance of a desk or field audit or on-site review would be performed as necessary. Some PTEs will perform annual desk audits on their higher risk – or even all – subrecipients.

Auditing Body: Pass through entity or an auditor working on their behalf.

Audit Scope and Purpose: Subrecipient audit activities can vary greatly in detail and focus area. At one end of the scale, a prime institution could request the supporting backup documentation for specific invoices submitted by the subrecipient in order to assess the appropriateness of cost charging to the prime. At the other end of the spectrum, a prime institution could perform a detailed site visit, with a financial audit component focused on cost allowability, as well as a programmatic review by scientific personnel of the quality and timeliness of the work being performed. In practice, subrecipient institutions can expect that the great majority of monitoring activities will involve sharing documentation including policies and desk procedures, supporting documentation for items of cost, and examples or walk-throughs of specific processes and controls. Site visits and full financial audits are generally rare due to the expense to the prime institution, but may be undertaken in areas of particular risk, in preparation for a major award, or as a result of a previous unsatisfactory desk audit.

Introduction

Audit Process/Lifecycle Overview





Pre- Notification Preparation

Institutions should begin preparing for an audit before it occurs. This preparation is important both for the generalized reason of reducing the risk of adverse audit outcomes and the practical one that audit announcements require a prompt response from the auditee.

Policy for Audit Response and Management

Having a documented policy or procedure regarding the response to, and management of, audits can assist in outlining where to direct inquiries, minimize the need to develop a process for each and every engagement, and provide the ability to incorporate lessons learned from one audit into future ones. Increased institutional risk can occur absent a properly disseminated process. For example, instances have occurred when the central office learned after-the-fact that well-meaning individuals in a university department responded incorrectly to (or ignored) an audit inquiry, and the university was subsequently faced with a disallowance of costs that might not have existed if the audit were properly addressed.

Awareness of Audit Environment and Federal Agendas

Part of preparation is understanding what areas are most likely to be audited, in order to determine if additional training and internal controls should be deployed. We are fortunate that many of the federal OIGs publish an annual audit plan, as well as completed audit reports. At least one individual within your institution should have the responsibility to read the work plans, reports to Congress, and published audits and share appropriate trends and concerns with researchers and administrative staff. It is also valuable to attend research administration conferences where OIG representatives and university peers regularly present emerging issues. While the work plans vary from year-to-year, some areas that will likely be a focus of the coming years are:

- Compliance with the UG
- Adequacy of internal controls
- Subrecipient monitoring
- Audits of major event-driven funding (e.g. Recovery Act, Hurricane Sandy)
- Very large awards (e.g. construction of research vessels, operation of major infrastructure facilities)
- Data management and security
- Quality control reviews of federal Single Audit



TIP:

Have an audit response and management policy in place before audit notification.

Understanding the OIG work plans can be straight-forward, especially in focused independent agencies such as the NSF, or more complicated in broad departments such as HHS. It is useful to know from which part of the federal department your institution receives significant funding. For example, in reading the HHS plan you may want to focus on the National Institutes of Health (NIH), which is found in the Public Health section or that the National Institute for Food and Agriculture (NIFA) is a component of the Research, Education, and Economics mission of the U.S. Department of Agriculture (USDA). A portion of the agency work plan may be focused on internal agency activities, some of which may be quite mundane (e.g. the agency's use of credit cards). While some portions will not be of interest to us, at times a focus on an internal agency issue will be expanded to an external grantee focus later. For example, an internal finding of insufficient grantee oversight can easily turn into a research institution receiving increased agency scrutiny in the future.

Reading the “tea leaves” as described above can aid an institution in understanding the issues and areas that are most important to their federal sponsors. However, it is important to understand that each sponsor's auditing body can have differing opinions and interpretations of guidance and policy. For example, NSF OIG auditors may interpret guidance differently than an HHS OIG auditor. In other words, every sponsor audit is not created the same.

The appendix contains links to the audit plans for some of the major agencies as of this writing.

Incorporate Audit Readiness into Training

Many institutions have mandatory or voluntary training programs for their research administrators. It is valuable for these programs to have a module on audits, so that a research administrator's first exposure will not be under the stress and pressure of an actual audit. A sample module might include:

- Institutional audit infrastructure (e.g., internal audit office, external office)
- Existence of an audit management policy, if any
- What to do if an audit inquiry is received
- Impacts of audits and audit findings
- Major audit findings at other institutions

Pre-Notification Preparation





Pre-Notification Preparation

Audit Roles and Responsibilities

Auditors

- **Assistant or Regional Inspector General (sponsor/OIG audit), Senior audit team member:** Chief Audit Executive (internal audit) or Audit Partner (Single Audit)
- Depending on the type of audit your institution is facing, the most senior member of the audit team will be one of these individuals. This position typically provides oversight and guidance of the audit process, and will be most heavily involved during the reporting and audit resolution phases. This position is the person who approves or signs the final report, and makes final decisions on items such as timeline and extensions, findings, and corrective actions. There may be only limited interaction with this person.
- **Audit Manager/ Audit Lead:** This person is responsible for ensuring that the audit scope is completed within the allotted time. This individual manages the audit activities, provides interpretation of regulations or standards, reviews all findings and reports, and represents the auditor in entrance and exit conferences with auditees.
- **Auditor, Staff Auditor, Senior Auditor:** These individuals have the day-to-day responsibility for the audit field work. They analyze data sets, collect and review transactions and documentation, identify anomalies, develop findings and reports.



TIPS:

Be aware of topics that are important to regulators which often inform the federal audit environment.

Incorporate audit readiness into campus training.



Institutional Resources

- **Pre-award Office (e.g., Sponsored Programs, Sponsored Research):** This office will likely be the repository of documentation such as proposals, award notices, agreements, contracts, subawards, and is a source for the interpretation of agreement terms. The senior individual in this office should be aware of all audits underway.
- **Post-award Office (e.g. Sponsored Accounting or Research Finance):** This office or a related one will maintain financial data, such as transactions, supporting documentation, invoices, effort certifications, indirect cost and benefit data. Since most awards are financial, this office will play a leadership role in the process.
- **Combined Pre- and Post-award Office:** Combines the roles of the two separate offices above.
- **Senior Research Official (e.g. Vice Provost/President for Research):** This individual's team is responsible for research administration policy and should be aware of external audit activity. He/She may participate in entrance and exit conferences, especially where policy implications exist.
- **Senior Finance or Accounting Official (e.g. CFO / VP Finance / Controller):** Audits are most often focused on finances, and this individual may be the senior person interfacing with the auditors and be the counterpart to the lead on the audit.
- **General Counsel:** Legal advice or counsel may be needed to develop a defense of a particular practice, and is absolutely necessary in any matter where civil or criminal violations may be alleged or discovered. In some instances, external legal counsel may be engaged.
- **Central Offices (e.g., Payroll, Accounts Payable, Procurement, Information Technology):** These offices may be involved in an audit when they are the office of record for documentation or involved in certain processes or decisions. Information Technology assistance may be necessary to extract transaction information from financial systems in a particular format to suit the auditor's needs
- **Principal Investigator (PI) and other research staff:** The PI and his/her team may be needed to provide the programmatic background for financial activity, and for assistance in the substantiation of transactions.
- **Departmental administrators:** Departmental administrators play a key role in translating the researcher's needs into financial activity, and in an audit they may be an intermediary to the PI in addition to providing department-level documentation and other materials.

TIP:

Understand the roles of the audit team members so that you can understand who the ultimate decision-makers are.

Pre-Notification Preparation





Notification

Recognize that an Audit has been Initiated or Requested

A sponsor's request for an inquiry may take different forms. It may start with a phone call, e-mail, letter, or, in rare cases, a knock on the door. The recipient of the inquiry may be the PI, grant and contract officer who accepted the agreement or is the addressee of awards to the institution, the individual who issues or signs the invoices, or an institutional official such as the president, chief financial officer, controller, auditor, or pre- or post-award director. Having an institutional procedure for notification/communication will facilitate making sure that the inquiry, once received, is directed to the proper person or office for response.

Identify the Agency or Other Auditor Involved

For an OIG engagement, the audit approach, focus, and strategy can vary greatly among agencies. The grantee should identify which agency has initiated your audit and review that related OIG's annual audit plan as well as any recently published audit reports. As described above, this information from federal sponsors is usually public and can be found online. Be sure to identify who will be conducting the review, as some agencies are now outsourcing their audits. The OIGs are often structured with both an audit and investigation branch. Reviewing the office's directory may give insight as to the type of inquiry.

Identify Areas of the Institution Affected

Part of sizing an audit response relies on identifying how much of the institution will be affected. An audit of a single award will primarily affect a single department within the institution. On the other hand, an inquiry into all awards from a specific agency may affect many departments. In some cases this will be clear from the initial notification, in others it will be unknown until the entrance conference.



TIPS:

Have an institutional procedure for communicating the receipt of an audit inquiry.

Learn about the entity performing the audit.

Assess the institutional impact (e.g., financial, reputational).



TIPS:

Have a plan in place to appoint an audit liaison who understands “audit speak” and has access to the necessary records and to leadership.

Inform your campus stakeholders by setting up a meeting to discuss the audit objectives, scope, etc. and what they can expect their role to be. Sending an e-mail to stakeholders is not ideal; you will want to be able to engage in a discussion.

Appoint a Designated Audit Liaison

A single point of contact should be identified for each audit. Having an experienced person involved in this role can facilitate the efficient completion of the audit and manage institutional risk. Most institutions allocate relatively small portions of time from a number of their Post-Award Directors and Managers and Counsel to address a particular audit. Unfortunately, this takes central research administrators away from their key functions and can hinder your day to day operations. If your institution has sufficient audit activity one best practice is to hire or assign a dedicated audit liaison, whose sole responsibility during the audit is to interact with the audit team and coordinate the institution’s response (e.g., meetings, document requests, logistics, etc.). By having a designated audit liaison, the audit process will go more smoothly, research administrators will be able to focus on their job responsibilities, and the audit will not detract from institutional operations. This position does not have to be full time, and may work on other quality assurance or compliance activities during other times of the year.

Brief Leadership and Others

Your audit management policy should identify a key set of stakeholders that need to be aware of audits. Typically the chief audit officer or designee and the heads of the pre- and post-award offices should be immediately notified of new audits. Depending on your institutional structure you should also consider notifying the following: Chief Research Officer, Chief Financial Officer, University Counsel, Chair and Administrator of the affected department(s), along with the PI. This list may vary according to the anticipated impact.

Different procedures may apply when an inquiry is an investigation. For example, the investigating agency may not want the PI or certain project personnel immediately notified. Investigations are a case where you’ll want to involve your University Counsel, who may choose to engage external expertise.

At this point the audit liaison should consider reaching out to external sources for support as needed. For example, peer institutions that have recently undergone a similar audit or an audit by the same individuals may be able to provide insight into the process, areas of focus, and “sticking points.” Alternately, depending on your institution’s capacity, it may be advisable to seek advice or partnership from external counsel or consultants.

Notification





Develop a Plan

At this point in the cycle it is time to use the audit information obtained to date to develop a plan for managing the audit response. A good practice is to memorialize the plan in an e-mail or memo and share it with the stakeholders. The plan should have a management structure indicating:

- An audit lead (who may or may not be the audit liaison)
- Stakeholders for audit operation (in addition to the leadership stakeholders outlined above)
- Audit resources that may be required
- Communication requirements and schedule
 - Meetings of the audit team
 - Communications to stakeholders
 - Communication to leadership
 - Communication to PI or potential auditees

It is valuable to start a file, either paper-based or electronic that includes all communications with the auditors and summaries of conversations with the auditors. Copies must be kept of all materials provided to the auditors. Keep a record of the names, titles, contact information, and other pertinent information of auditor personnel as well as individuals in your institution involved in the audit. Months or years later it may be very useful to recount what a particular auditor said, or to refer back to the schedule outlined in the entrance conference (see below).

Identify known resource needs. An audit request may be substantial enough to require temporary office personnel, or backfill to make staff available for the audit project. While this may not be needed for a routine request from a pass-through entity to substantiate 20 items on a subcontract invoice, a large audit may require data on hundreds of transactions.



TIPS:

Plan for the specific audit engagement.

Maintain records of audit communications, data submissions, and other activities.

Identify resources.



TIPS:

Understand the audit scope and, more importantly, the reason for the audit so you can respond accordingly.

Where possible do not send data or transactions to auditors until after the scope is understood.

Discuss data request difficulties with the auditors as identified; do not wait until the exit conference.

Determine Scope and Extent of the Audit

Carefully read the audit notification and any related requests for information. The audit scope should indicate which award(s) will be reviewed and for what period(s). The audit notification may include the particular focus of the review (e.g. labor charges, cost sharing, equipment, etc.). Sometimes the audit request will be based on a particular funding draw covering many awards, and the actual awards or transactions to be reviewed will not be known until after the underlying transaction list is provided to the auditors.

Begin preparing as much documentation as possible in advance of the entrance conference, and try to anticipate what materials the auditors may need. Be sure to discuss with the auditors any questions you may have regarding the requested information. You don't want to provide inadvertently more information than they need, but for efficiency you do want to make sure the information provided is what they need.

Make sure that the scope is understood by institutional participants.

Preparation

The preparation phase may occur before or after the entrance conference, and may be repeated at various times throughout the audit. During this phase you will obtain and deliver the materials requested by the auditors. To ensure that the scope and requests are fully understood, it may be advisable, unless specifically requested, to avoid sending data to the auditors until after the entrance conference, even if the data has been collected or was readily at hand.

Obtain Data from IT Systems

Data should be extracted from your IT systems (e.g. general ledger, human resources, receivable system, labor billings) based on the auditors' request. This data should follow the sponsor's requested format as closely as possible. If you cannot meet a data request, for example if you were asked for service center charges and your system does not differentiate between service center and external charges, you should discuss it with the audit team before the data pull is completed. This may avoid duplicative or unnecessary work. Document how and when the data was extracted.

Review Planned Submissions

All materials should be reviewed prior to submitting them to the auditor. Transactions should be reconciled to the sponsor invoices and/or reports (e.g. Federal Financial Report, Letter of Credit Draw, Federal Cash Transaction Report). Do not send an unreconciled dataset to the auditor because it may raise questions about your institution's stewardship capabilities. A best practice is to have one individual prepare the audit submissions and another to review them for completeness and correspondence to the request.

Definition of Scope





Definition of Scope



TIPS:

Review all submissions prior to transmission to the auditor.

Prepare for audit interviews.

Brief Principal Investigators on audit “dos and don’ts.”

Conduct a risk assessment, discuss with leadership, and mitigate exposure appropriately.

Prepare

Being prepared puts you in a proactive position and better able to respond to questions and requests. Review meeting agendas and understand the purpose of meetings and have all documentation readily available (but do not volunteer documents or information that is not relevant to the question at hand), anticipate questions related to the documents, have personnel re-familiarize themselves with protocols and records, know and understand relevant regulations and guidance, review protocols and associated documents, and learn from past visits and audits.

PIs and their team will be unfamiliar with the audit process. They may be concerned about why they were selected, or even resent the imposition on their time. You should prepare the PI and his/her team, explain the selection criteria (often random), and reassure them that they will be supported in the process. One method of preparation is to provide a very simple set of reminders to potential interviewees. These include:

- Answer only the question asked
- Provide truthful responses to all audit questions
- If you don't understand the question, seek clarification before answering
- Only talk to auditors with the audit liaison present
- NEVER change a document, or attempt to create records in such a fashion to suggest they were in previously place.
- Notify the audit liaison if you are contacted by an auditor

Assess Risk

Using the in-depth review of the project documents (e.g., proposal, agreement, and transactions) prepare a risk assessment. Does it appear that there are potential issues with the award(s) or particular transactions? Are there items that you should consider bringing to the attention of the auditors? For example, upon finding that a requested transaction has significant problems, some institutions will alert the auditors, and voluntarily remove or repay any problematic expenditures. While this may not reduce the likelihood of disallowance or extrapolation, it may increase your credibility in the audit process. Identify these situations in your risk assessment, and internally consider the appropriate action.

The Entrance Conference for any audit is a tremendously valuable meeting where it is possible to establish ground rules and common expectations that will facilitate a smooth audit process. If an Entrance Conference is not offered by your auditor, one should be requested by the institution. A formal written agenda for the meeting is helpful, as is a written summary of agreed-upon items to be shared with all participants after the meeting. You should make every effort for your audit liaison and other relevant personnel to attend the meeting.

Some of the key agenda topics to be discussed at the Entrance Conference are:

- **Develop a shared understanding of scope and process**
You should ensure that your institution's attendees clearly understand the objectives of the audit, as well as the scope in terms of functional areas (e.g., a particular grouping of programs), dates (e.g., the most recent two grant years), and population (e.g., what types of transactions will form the population[s] from which samples will be drawn). It is also reasonable to request a general explanation of the type and volume of audit procedures that the auditors expect to perform.
- **Identify roles and responsibilities**
Key individuals from both the institution (previously identified in your audit response plan) and the audit team should attend the meeting and each should share his or her expected role in the process. For example, the group should establish who will handle scheduling and logistical considerations, who will request and who will provide documentation, who will attend meetings and walk-throughs (from both sides), and who should be included in status and reporting conversations. In addition to those responsibilities, it often makes sense to discuss communication preferences (e.g., email or phone, individual contact or meeting, who should be copied on what email communications), and time zone or work hours considerations. By ensuring that both groups understand who to contact under specific circumstances, the audit can be performed more efficiently and with less confusion and anxiety for your staff.
- **Determine the audit timeline**
It can sometimes feel that auditors create a "one-way street" with deadlines, either establishing timelines that are unreasonable for your institution, or scheduling meetings at difficult times (e.g., between semesters when researchers are typically unavailable). To avoid these timing challenges, it is crucial to develop and agree to a joint timeline upfront. Ideally, to benefit both sides, audits should be conducted when the institution is able to focus on audit requests. Auditors may have a variety of external pressures when it comes to timing audits, and therefore the timeline is likely to be a subject of some negotiation. For example, it may be appropriate to explain that the accounting department must be heavily involved in providing documentation, and that the group must therefore complete a particular reporting period before focusing on the audit. By providing clear explanations and alternate timing suggestions, you are more likely to come to a mutually agreeable conclusion.

Entrance Conference





Entrance Conference



TIP:

Use the entrance conference to understand and manage the audit details.

- **Establish an ongoing status meeting**
Audits typically last weeks, if not months, and sometimes years!. In order to keep members of both the audit team and the institutional team on the same page, having a regularly scheduled status meeting can be helpful. During this meeting, both groups can walk-through the same documents to come to a shared understanding of status, which can then be documented and shared with others at your institution.
- **Identify audit deliverables**
Your institution should know upfront what the audit end product (e.g., report) format and structure will be, including the auditor's expectation for a management response or corrective action plan. First, you should discuss what the report will look like, including requesting a template or past report. For federal OIG audits, past reports are available online for you to review in advance. Second, you should ask at what point in the process your institution will see the report (e.g., in a draft phase, in a final phase), and to what extent you will be allowed to suggest edits to factual comments in order to ensure report accuracy. Third, you should discuss the format and expectations for management response, and the possibility for management to share other contextual information to be included as part of the final audit report package.
- **Arrange logistics and protocols**
Logistical considerations may not always be a focus at the Entrance Conference, but these decisions can set the tone for the entire audit. In terms of onsite fieldwork, be sure to work cooperatively to decide on dates and participants. While onsite, the auditors should have easy and consistent access to your audit liaison or another staff person in order to ask questions, schedule meetings, and consult regularly. This individual should also serve as an escort to the audit team, including meeting them upon arrival, providing an orientation to the facility in which they will be working, and accompanying them to meetings. Generally the audit liaison should be present at interviews and walk-throughs in order to help guide the conversation and provide context and support to the interviewee.

While onsite, provide a convenient and comfortable location for the auditors. However, be cautious that the space provided is in a quiet location, and notify surrounding staff that the audit team is present. Ideally the audit team should not be able to overhear conversations or see documents that might be taken out of context. From a purely practical standpoint, provide information on hotels, directions, parking, and local restaurants to enable a smooth and enjoyable visit.

You will be asked to provide documentation throughout the audit. As soon as possible in the process, you should agree upon a document sharing protocol. Auditors often prefer that an institution use the auditor's technology (e.g., a SharePoint site) for document uploads, which can be time-consuming and inconvenient for the institution. Consider upfront who will be able to log into the document sharing portal (it is fair to request multiple log-ins), what time of day deadlines are, and what to do if certain file formats cannot be uploaded or are not legible to the auditors. This will ultimately enable you to meet document request deadlines and keep the audit timeline moving forward while not overburdening your institutional resources.

After the entrance conference the audit plan should be updated and communicated to stakeholders.



TIPS:

Prepare for walk-throughs and interviews by performing a mock walk-through in advance of meeting with the auditors.

Follow established procedure when answering auditor questions.

The Fieldwork portion of the audit will require the greatest investment of time and energy from your audit liaison and team, as well as time from your research administrators, researchers, and potentially other individuals. Fieldwork can be a stressful time, especially while onsite work is being performed. As discussed in the sections above, it is crucial to mutually agree upon a scope, timeline, and protocols for both sides to follow during the audit. Whatever has been agreed to, it is your institution's responsibility to either comply or to share well in advance when alternative arrangements must be explored. Adhering to the agreed-upon protocols will not only allow the audit to run smoothly, it will give the auditor confidence that the institution is competent, efficient, and honest.

While it is reasonable to assume that auditors will be professionals and understanding of audit requirements, they may not have knowledge of your institutional practices nor even of the sponsor for whom they are auditing. Instances may occur where an auditor's background is in a totally different area, for example manufacturing or insurance billing. Be prepared to assist the auditor by providing information about common higher education practices as well as those of your institution. Judicious doses of patience and understanding will facilitate a smooth engagement.

Interviews and Walk-throughs

Being interviewed by an auditor can be an imposing proposition, especially for your staff. The single best way for interviewees to feel comfortable is to be prepared prior to the meeting; your audit liaison should work with each interviewee to prepare prior to meeting with the auditors. It is reasonable to request an agenda, a list of questions, or a list of questioned costs for discussion from the auditor several days before the meeting; clearly communicate with the auditor that having this information will allow your team to pull relevant documentation in advance of the meeting and therefore enhance efficiency. In some circumstances you may not receive this information from the auditors; regardless, it will likely be helpful to re-familiarize yourself with, and have access to, the following information during any interviews or walk-throughs:

- Relevant policies, especially those that are publicly available and the auditor has likely already seen
- Desk procedures or manuals
- Control narratives, matrices, or other documentation
- Systems documentation and reference materials
- Example documentation
- Training or onboarding materials, especially those with a walk-through component

Fieldwork





Fieldwork



TIPS:

Manage document requests to ensure timely, organized audit submissions by maintaining of dates of requests, responses, etc.

Communicate audit status to stakeholders so that they can manage their “day jobs.”

During the interview, listen to and understand the auditor’s questions before answering. Ask for clarification when you do not understand the auditor’s questions, assumptions, or conclusions. Rather than debating, try to clarify misunderstandings with positive rather than negative statements. And remember that it is perfectly acceptable to push back if asked a question that does not appear reasonable or when it seems the auditor has misunderstood something. Clarifying a misconception during fieldwork is significantly easier than addressing the same issue during audit resolution. For these types of sensitive conversations, having your audit liaison at the interview will be very helpful.

Respond to questions with straightforward, honest, and complete answers. Provide only the requested information and do not answer unasked questions. There will be certain questions that even well-prepared interviewees cannot answer; in these cases it is preferable to say, “I do not know, but I will get back to you with the answer” rather than guessing or estimating an answer. Likewise, limit your answers and comments to areas where you have first-hand knowledge or can provide supporting documentation. When necessary, it is appropriate to bring in the correct person to provide a clear and complete response.

Document Requests

One of the most difficult aspects of managing an audit is the sheer volume of documentation, as well as the reiterative process of audit responses and the potential for multiple sets of deadlines (e.g., often different members of the audit team will make requests with different due dates). It is crucial to develop a methodology that allows your institution to track all auditor requests, responses, and open items over a long period of time, and to have clear written proof throughout the process. As mentioned earlier, your audit liaison should have a mechanism (e.g., spreadsheet, project management tool) to track the status of all document requests, and that individual should be the owner of the document. If you have a shared document portal with the auditors, it is helpful to keep a version of the document request listing in that portal for all parties to reference, and to ask the auditors to confirm your understanding of the current status of documentation requests at your regular status meetings.

The nature of document requests is such that either the auditor or the auditee may inadvertently overlook certain items. In order to protect your institution, you should take detailed notes during each meeting with the auditors, maintain all emails to and from the audit team, and maintain evidence of each set of documentation provided.

Be organized and as timely as possible with requests, and communicate if there are delays from your original timeline. Funneling all document requests and responses through your audit liaison will allow the process to move forward with minimal confusion and eliminate version control issues.

Institutional Communications

Throughout the Fieldwork phase, it will be critical for the audit liaison to manage internal expectations and concerns. Your liaison should develop a timeline and plan to share status updates with key individuals, including senior leadership, research administration, and the researchers being audited.



TIPS:

Understand common audit findings and determine if your institution has vulnerabilities.

Common Audit Findings

There are certain audit findings that are common across all types of audits. By understanding common audit findings, your institution can both better prepare for a specific audit request, and more effectively work long term to ensure your processes and controls limit these findings.

Compliance Areas	Example Findings	Potential Defense/ Response
Consistent treatment of direct and indirect costs	Award was charged for office supplies, which should normally be treated as indirect costs (2 CFR 200, Appendix III.6.b(2)).	Project required the purchase of 25,000 stamps to mail surveys. The costs are directly allocable to the project, the volume required represents unlike circumstances, and expense was outlined in the proposal budget in compliance with institutional policy and 2 CFR 200.
Cost Allowability	The purchase of alcoholic beverages is prohibited per §200.423.	This NIH- and campus IRB-approved project studied the effect of serving size on blood alcohol levels, and the experiment requiring the purchase of alcohol was specifically outlined in NIH proposal.
Cost Transfers	Cost transfer was processed 110 days after the original purchase, in violation of NIH rules requiring that cost transfers occur within 90 days.	NIH GPS 7.5 states that cost transfers “should be accomplished within 90 days of when the error was discovered.” The error was not discovered for three months, and the transfer was requested shortly thereafter. We have addressed account monitoring with the department so that errors may be identified in a more timely fashion.
Payroll Distribution and Effort Reporting	Grantee failed to certify technician salary as required by institutional policy and federal regulations.	Laboratory technicians are hourly workers, and complete time cards that are reviewed by their supervisor, in this case the PI. The time card indicated the specific projects on which she worked, and this is acceptable under our institutional policy and federal regulations.
Subrecipient Monitoring	Project failed to conduct on-site reviews of subrecipient as required by §200.331(e)(2).	In accordance with the risk rating in our subrecipient monitoring procedure this subrecipient was classified as low risk, which does not require on-site reviews.
Tracking and Reporting of Cost Sharing	Facilities section of the proposal stated that the PI would work one month. No cost sharing was shown for this activity.	This award does not state a cost sharing requirement. In accordance with 2 CFR 200.99, voluntary committed cost sharing (VCS) only exists when it is pledged in the proposal's budget or stated in the award. The identification of resources in the Facilities section does not represent VCS, but rather voluntary uncommitted cost sharing of faculty effort. In accordance with OMB Memoranda 01-06 “such faculty effort is excluded from the effort reporting requirement.”
Timely Reporting	Grantee failed to submit technical progress reports within the required 90 days.	Grantee concurs with this finding, and will remind the investigators of the importance of complying with the award terms.



Exit Conference

As discussed above, audits are performed for various reasons with differing objectives and by varied auditor type (e.g. external auditor, internal auditor, OIG auditor). One aspect of the audit process that you can expect to occur is an Exit Conference (also referred to as Closing Conference). The purpose of the Exit Conference is not solely for the auditors to tell the auditee (also audit client or stakeholders) what they found during the audit but it is meant to be a discussion between all parties involved about the first step in resolving any potential audit findings. Some audit teams will provide an auditee a copy of the draft report before or at the Exit Conference but this is not always the case; however, it is certainly acceptable to ask whether or not a draft report will be provided. Regardless of whether or not a draft report is provided, the intent of the Exit Conference is to discuss the results of the audit and confirm that the facts, conclusions, and observations are accurate and relevant.

If it has not already happened during fieldwork, it is during the Exit Conference that the auditee can provide context and help to validate the root cause of any finding. This discussion is extremely important since you know your organization, processes, and “business” best and ensuring that the appropriate context for findings is included in the audit report enables your institution (or department if an internal audit) to appropriately respond. For example, imagine the auditors have one finding that highlights there was no Fly America Act waiver included in the documentation to support one transaction for international travel using non US-flag carriers; such a finding does not mean the whole process is broken and needs to be fixed by purchasing a new system. The context that the audit client might share in this situation could be that the waiver was appropriately completed and approved because the research administrator was new and did not realize that the waiver needed to be electronically uploaded and instead maintained a paper copy in his/her files. In the best case scenario, such an issue would be resolved during the fieldwork phase but that is not always the case; as demonstrated in this example it is important to understand how context is when it comes to audit findings and resolution.

There will undoubtedly be circumstances when an audit may uncover a particular process or function which is not happening as intended. In this case, you have an opportunity to use the audit findings to affect change in your organization --- which can be a GREAT thing! The auditors may find opportunities for process efficiencies and enhancements and help you get the appropriate visibility about these issues to work with leadership and management to improve your organization.

You should also use the Exit Conference to understand the protocol and timeframe for the audit response. It is important that you organize your response to the audit appropriately and allow time for internal reviews before the response is shared back to the auditors. Develop a clear plan for institutional response allowing for appropriate input from the process owners and audit stakeholders. Your response should be crafted to address the auditors accordingly and not to agree to corrective actions that are lofty and undoable. Again, this is about context and you do not want to sign your institution or department up to a standard that you cannot operationally and compliantly achieve.

In summary, the Exit Conference is an important part of the audit process to enable:

- A discussion of preliminary findings and for the auditee to provide context
- An understanding from the auditors of next steps in the audit process
- Confirming a protocol and timeframe for the auditee/ institution's response
- Developing a clear plan for auditee/ institutional response

Exit Conference



TIPS:

Use the exit conference to:

- Understand and discuss any findings.***
- Learn the next steps in the audit process.***
- Advocate to be able to review any report prior to finalization.***





Preliminary Report

Reviewing preliminary reports carefully is a critical part of the process to ensure that the final report is accurate and that the audit team and the auditee agree upon what is important to report. Auditing standards require auditors to report their observations and, as you can imagine, there can be opposing opinions about what should and should not be included in an audit report. However, as we have discussed throughout, you can use the audit process to affect positive change in your organization and correct issues that could lead to problems in the future.

When reviewing the preliminary report, be sure to assess:

- **Accuracy:** Are the issues/circumstances laid out as you understood them?
- **Language:** Word choice matters, so check for things like “must” versus “should.”
- **Tone:** Is the report written in a manner that it will be understood and helpful to all readers?



TIP:

Review the preliminary report so that any language may be addressed before the report finalized.



TIPS:

Provide a timely response to the audit, recognizing the findings, and stating your institution's position on their validity.

Use the audit response to create a roadmap for corrective action and audit resolution.

You can expect that if there are recommendations in a report, your institution or department will need to provide acknowledgment and a response as to how you plan to address those recommendations. In some cases when a federal program is audited and there are multiple findings of non-compliance, your institution will be required to prepare a Corrective Action Plan. Whether a Corrective Action Plan or a Management Response, this is the opportunity for the institution/department to comment on how it plans to address the results of the audit and for your perspective to be memorialized in writing. The audit response sets the stage for the audit resolution process, so it is important to raise any issues that may be pursued later. Like with many things, there is no one-size-fits-all solution to preparing an audit response but below we have outlined a few guiding principles to consider when doing so.

- **Agree or disagree – or partially agree – with the findings stated**
Audit findings are usually written in such a manner that the auditee can respond as to whether or not they agree with the finding. Not everything is resolved during the Exit Conference and Preliminary Report review and issues will still find their way to the Final Report and require a response. Typically, the format is such that the auditee can provide commentary along with their acceptance (or not) of a finding and recommendation. An example could include “We agree that the questioned costs were inappropriately charged to Dr. Smith’s award and will execute a cost transfer to correct the error;” or “We disagree that the questioned costs were inappropriately charged to Dr. Smith’s award and maintain that the microscope and the associated shipping charges were necessary for the conduct of the research. Additionally, the microscope was included in the original approved grant budget.”
- **Be aware of the posture and tone of your response**
Respond directly and courteously to the findings noted. Inflammatory language or a defensive posture will not get you the desired outcome from an audit report. Also, too many words can put your institution in a vulnerable situation. Think succinct.
- **Obtain institutional approval of the response**
If you are not in a position to agree to something on behalf of your institution, make sure that the responses are approved by the appropriate institutional officials before sharing with the auditors. You do not, for example, want to find yourself in a situation where a researcher has unilaterally agreed to change your institution’s procurement process because he or she prepared and submitted a response to federal auditors that was not appropriately circulated among management.
- **Submit timely**
Providing a response within the requested timeline is the gold standard (typically, auditors will request a response within 30 days). However, if you find that you cannot submit timely, ask for an extension as soon as possible, and proactively provide a suggestion of an alternate timeline. If you follow these suggestions, you will find that more often than not, your extension request will be considered.

Final Report and Audit Response





Audit Resolution and Follow-up

Depending on whether you have undergone a Single Audit, OIG audit, internal audit, or other audit, there is a process for resolving or following up on audit findings. In the case of federal program or OIG audits, the audit resolution process takes place between the sponsor and the institution. The Final Report including Management's Response or Corrective Action Plan is presented to the group responsible for audit resolution at the sponsoring agency. Sometimes that group may uphold the auditors' findings and other times they may have a different interpretation of some findings. Either way, there may be opportunities for further negotiation at this phase. Be sure that the appropriate individuals are engaging with this group; it is likely that your audit liaison or others in your institution have had experience with these types of interactions. The NSF has valuable information about their audit resolution process available at <http://nsf.gov/bfa/dias/caar/audit.jsp>.

For internal audits, professional standards require that auditors perform follow-up on previous recommendations. Most internal audit departments dedicate hours and resources in their annual internal audit plans to follow up on past audits. These reviews will generally assess the progress made on each statement in the management response, to make sure the institution is addressing process improvements, necessary internal control changes, and effectively monitoring operational activities.



TIPS:

Learn what the audit resolution and follow-up process is for the particular audit.

Complete deliverables committed in the Management Response or Corrective Action Plan. They may be reviewed at a later date.

Audits are a component of both sponsor and grantee stewardship, and an understandable one given the magnitude of the external funding. It is a truism to say that a financially-focused university research audit will never be fun. The authors hope this publication demonstrates that knowledge, planning, procedures, understanding and sound management can facilitate the efficiency and accuracy of your audits and, while still not being fun, can reduce the burden and risk that accompanies this inevitability.



TIP:

With proper planning, good management, and ongoing education and improvement the audit impact can be minimized.

Conclusion





Appendix: References and Resources

Sample Audit Announcements

Dear [REDACTED]

This letter is to notify you of our intention to conduct an audit of the National Science Foundation (NSF) sponsored grants, contracts, and other agreements awarded to [REDACTED] University. This audit is being performed at the request of NSF.

The objectives of our audit is to determine whether [REDACTED] claimed expenditures on NSF awards in accordance with applicable Federal regulations; properly accounted for pension costs on its [REDACTED] sponsored agreement; and properly accounted for, segregated and reported the use of NSF funds awarded under the American Recovery Reinvestment Act of 2009. The audit period will include cost claimed on NSF awards for the period [REDACTED]

To expedite completion of our work, we request that you provide us with the documents listed in the enclosure to this letter by [REDACTED]. During our review, we will also need access to additional documents and records. We appreciate your cooperation in this matter and will make every effort to minimize any disruption to the work of your office.

When transmitting any audit information to OIG over the Internet, please properly safeguard the information. We request that you use the HHS/OIG Delivery Server, not email or attachments to email. Information transmitted through the HHS/OIG Delivery Server complies with Federal Information Processing Standard (FIPS) 140-2, *Security Requirements for Cryptographic Module*. At the entrance conference, we will discuss authorizing your staff to use the HHS/OIG Delivery Server and give you instructions in its use.

We are required to report as a security breach any audit information sent to us that does not meet FIPS 140-2 requirements.

This audit will be performed under my direction. As arranged by [REDACTED] of my staff, we plan to hold an entrance conference on [REDACTED], at 11:00 a.m., at [REDACTED]

If you have any questions or concerns about our review, please contact [REDACTED]
[REDACTED]
[REDACTED] in all correspondence. Thank you for your attention to this matter.

Sincerely, [REDACTED]

From: XXXX
Sent: Thursday, October 04, 2012
To: XXXX
Subject: 2012 Desk Review

In order for XXXX to satisfy the Office of Management and Budget A-133 Circular's subrecipient monitoring requirements, XXXX's Research Operations team must routinely review all subrecipients and their invoiced expenditures. XXXX will need copies of all supporting documents for the attached invoice (s) sent to the below address.

1. Documents needed for the above invoice data:
 - a) Time and effort report (for each individual paid)
 - b) Salary and wages (each individual name receiving salary during this period)
 - c) Benefits (benefits and rate of each individual paid)
 - d) M&O /Supplies (detail list of supplies)
 - e) Travel (detail list of all travel including individual name and itinerary)
 - f) Other direct costs (detail list other direct items)
 - g) All cost share expenditures (account numbers, individuals name and salary/benefits, other expenses)
 - h) Indirect Cost agreement (F&A rate agreement used to calculate indirect cost for this invoice)
2. Fiscal Year 2011 and 2012 audits (include all audit findings and Corrective Action Plans) will be needed to ensure compliance with annual audit requirements.

Please provide me with these documents by October 19, 2012. If you have any questions, please do not hesitate to contact me.

Thank you

Appendix: References and Resources





Appendix: References and Resources

To: XXXX

From: XXXX (OIG/OAS)

We are conducting a nationwide review of graduate student compensation costs (salary, fringe benefits and tuition remission) charged under National Institutes of Health (NIH) grants for the audit period October 1, 2004 through September 30, 2005. We selected a random sample of 100 NIH research project and 100 NIH research center grants from the population of 7,950 NIH grants awarded to institutions of higher education during our audit period. The sample selection identified one XXXX University grant for review. The grant selected is as follows:

Grant Number	PI
R01XXnnnnnnn-02	XXXXXXXXX

As part of our review, we are requesting the following information for each graduate student researcher with charges to the selected grant:

1. Support for compensation amounts charged to the selected grant during the audit period.
2. Support for any additional compensation received during the audit period.
3. Time and effort certifications documenting 100 percent effort for the graduate student.
4. University policy governing compensation for graduate student researchers.

If you have any questions, you can reach me by phone at 517-555-1212.

Thank you for your cooperation.

Sincerely,

XXXXX, Auditor

Attachment: NIH Start Notice



National Science Foundation
FY 2013 Payment Review

Subject: NSF Payment Review Announcement

May 6, 2014

To: [REDACTED]

On April 21, 2014, the National Science Foundation announced its Payment Review program to administrators and officials at grantee organizations receiving funding in fiscal year (FY) 2013. Given feedback received from the initial announcement, we are sending future communications to ACM\$ contacts within the institution, as well as any revised contacts provided. This includes the following contacts within your organization: [REDACTED]

[REDACTED] If you believe you are receiving this in error, please let us know and provide a better point of contact if possible. As you may not have seen the program's announcement, we are providing information on the program below.

The National Science Foundation (NSF) is conducting a review of its fiscal year (FY) 2013 payments under the provisions of the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (Public Law No. 111-204). This includes the review of a statistical random sample of NSF's payments (grantee drawdowns), and will include a review of the grantees' use of these funds. **As the sampling is random and performed by a third-party statistician, the selection of your organization is not a reflection of its behavior.** Two requests will be made of grantees whose drawdowns are selected; first, a transaction listing supporting the selected drawdown will be requested, followed by a request for documentation supporting a sub-sample of those transactions. If selected, your organization will receive further communication with each request that will provide detailed instructions and deadlines.

Given the volume of payments requiring testing under IPERA requirements, requests will be sent in batches. Your organization may receive several, one, or no requests within a batch. The use of batches is meant to reduce the ultimate amount of testing required, by allowing us to verify at the completion of each batch whether additional testing is necessary to meet the required precision limitations.

Please note that NSF will continue its regular grant oversight practices in addition to this program to ensure that NSF serves as a responsible steward of federal funds. Constructive feedback is appreciated, as we strive to design a compliant program that places the least burden on NSF's grantee community. The current program design is the result of previous feedback indicating that grantees could more readily identify transactions to support a specific drawdown, rather than a given time period. If you have any questions or feedback, please email the NSF Payment Review Mailbox at [REDACTED]

- The NSF Payment Review Team

[REDACTED]
Internal Control Quality Assurance
National Science Foundation
[REDACTED]

Appendix: References and Resources





Appendix: References and Resources

Single Audit Clearinghouse

Effective with the implementation of the UG full copies of the Single Audit should be available at this site. Prior to that time a summarized “Data Collection Form” is available. <https://harvester.census.gov/facweb/>

Office Inspector General Web Sites for Commonly Referenced Agencies

These sites contain audits, work plans, reports to Congress and other useful information. Look for sections entitled “Reports and Publications” or similar names for audits or “Annual Plan” or “Work Plan” for their planned activities.

Defense: <http://www.dodig.mil/>

Energy: <http://energy.gov/ig/office-inspector-general>

HHS: <http://oig.hhs.gov/>

NASA: <https://oig.nasa.gov/>

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

USDA: <http://www.usda.gov/oig/>

Audit Resolution Information

The NSF has begun to make their management responses to external audits and internal reviews information public. It is available at <http://www.nsf.gov/bfa/responses.jsp>

Links to Sample Audits

The handful audits listed below are not for the purpose of highlighting problems at any particular institution. Rather, they are illustrations of particular concerns that have been raised by federal auditors in recent years. As a reminder – even with the institutional response – audit reports do not represent the full story. The ultimate disposition may be in a settlement, audit resolution, or in rare cases a court decision, and this information may or may not be publicly disclosed.

Administrative Costs: <http://oig.hhs.gov/oas/reports/region4/40501014.pdf>

Recharge Centers: <http://oig.hhs.gov/oas/reports/region9/99204020.pdf>

Sample NSF Labor Audit – Summer Salary, etc.:
http://www.nsf.gov/oig/_pdf/10-1-003_UNR.pdf

Sample NSF Labor Audit – “Suitable Means”:
http://www.nsf.gov/oig/_pdf/09_1_008_cornell.pdf

Monitoring: https://www.nsf.gov/oig/_pdf/07-1-020_University_of_Maryland_Baltimore_County.pdf

Cost Sharing: https://www.nsf.gov/oig/_pdf/06-1-020_University_of_Hawaii.pdf

Summary of Audits, Settlements and Investigations Related to Sponsored Programs

This document is maintained by the National Conference on College Cost Accounting and is available at <http://www.ncura.edu/nacca/Audits.aspx>



National Council of University
Research Administrators
1015 18th Street, NW, Suite 901
Washington, DC 20036
www.ncura.edu

