

Typical Audit Findings at PUIs: A Proactive Approach to Avoiding Negative Findings

Dr. Carrie H. Brown
Jennifer Hanlon
Stephen F. Austin State University

NCURA REGIONS IV and V SPRING MEETING
April 16, 2012

What does “AUDIT” mean?

- A = Awfully unnecessary
- U = Useless paperwork
- D = Damning evidence
- I = I know nothing
- T = Tyrants
- A = Analytical
- U = Unbiased
- D = Dings
- I = Internal accountability
- T = Typical

Why Should we Care?

- Transparency is required (taxpayers expect accountability)
- Complex regulations
- Sponsors expect accountability for money
- Settlements
 - University of Minnesota - \$32 million (misuse of federal funds)
 - East Carolina University - \$1.7 million (effort certification)
 - Northwestern University - \$5.5. million (effort certification)
 - Johns Hopkins University - \$2.7 million (effort certification)

Unique Challenges for the PUI

- Tend to have one minimally staffed central office that handles everything grant related (*pre and post award*)
 - Knowledge of OMB Circulars
 - Knowledge of each sponsor's guidelines, policies and procedures
 - Knowledge of institution policies and procedures
- Central office usually pre-award focused
- Central offices must consider how grant administration affects the work of other offices (*Human Resources, Accounts Payable, etc.*)
- More mandates don't come with more money to hire more people

Use Audits to Help You

- Discover weaknesses
- Emphasize areas of strength
- Test strength of policies and procedures
- Knowledge of other institutions' audits can help strengthen your case to implement policies and procedures
- Use other institution's audits to train PIs, staff and other institution employees

Typical Audit Types

- | | |
|----------------|---------------------------------|
| • Internal | • F & A cost proposal |
| • Programmatic | • Compliance (IRB, IACUC) |
| • Financial | • Whistle blower |
| • A-133 | • Issue specific |
| • Pre-award | – Time and Effort Certification |
| • Desk review | – Cost Transfers |

Lifespan of an Audit

- Agency/entity contacts institution
- Entrance conference
- Institution presents information requested
- Agency/entity drafts audit report
- Institution responds to draft audit report
- Closing meeting to review audit report and responses
- Final audit report
- Institution responds to audit
- Agency/entity follows-up on institution response

How can I Protect myself and
my University?

BE PREPARED

How to be Prepared

- Review audits from other institutions
- Keep informed of current audit targets
- Develop and **follow** sound policies and procedures
- Regularly review and test your policies and procedures
- Develop an audit response plan
- Keep accurate, current and complete documentation
- Create and follow a records retention policy/procedure

Review other Audits

- National Conference on College Cost Accounting "Summary of Audits, Settlements, Investigations and Media Stories Related to Sponsored Programs For Educational Purposes Only"
<http://www.costaccounting.org/>
- Updated by Charlene Blevens at Florida International University
- National Science Foundation
<http://www.nsf.gov/oig/auditpubs.jsp>
- US Department of Education
<http://www2.ed.gov/about/offices/list/oig/areports.html>

Effort Reporting Issues Found:

- No written documentation
- Unsigned effort reports
- Effort reports signed past deadline
- PI committed more effort than was charged
- Unallocable cost transfers
- No established effort reporting periods
- No definition for institutional base salary
- Lack of training

Keep Informed of Audit Targets

- U.S. Government Accountability Office
- Federal Inspector General Sites
<http://www.ignet.gov/igs/homepage1.html#n>
- Follow each federal agency's Office of Inspector General annual work plans
 - 2012 DHHS work plan includes these review areas:
 - Cost sharing
 - Extra service compensation
 - ARRA awards
 - Direct charging of administrative and clerical salaries

Develop and Follow Sound Policies and Procedures

- Don't put it in writing if you aren't going to follow
- Keep policies general
 - what is the rule
 - changes infrequently
- Clearly designate who monitors
- Develop specific procedures
 - how to implement the policy
 - can change as needed
- Be consistent in policies, procedures and practice
- Include other offices when developing policies and procedures
- Educate staff and faculty on all policies and procedures

Regularly Review and Test Policies and Procedures

- Review audits from other institutions
- Pilot new procedures and receive feedback from staff, faculty and other offices
- Review implementation of policy
 - Is it working how you expected?
 - Is it impacting the right audience?
- Review training feedback concerning the policy/procedure
- Internal review by another office such as Auditor or Human Resource
- Internal review of sponsored projects

Audit Response Plan

- Designate audit liaison and organize audit response team
- Understand audit schedule, roles of audit personnel
- Identify and assign staff most knowledgeable to data needs
- Document data location and availability
- Clarify all requests
- Respond to requests in a timely manner
- Ensure that data provided is accurate, complete, and addresses request
- Develop audit response

Documentation:

Accurate, Complete and Current

- The “paperless office” is a myth
- Show what you did and why
- Train PIs, grant staff, department staff, pre and post award
- Keep hard copy back-up of electronic documents
- Keep phone logs
- Follow-up phone calls with written correspondence
- Be sure all sponsor approvals are in writing
- Electronic documents never die (*email is eternal*)

Records Retention / Retirement

“The rights of access . . . are not limited to the required retention period but shall last as long as the records are retained.”

- OMB A-110, 215.53(e)
Retention and access requirements for records

Thus, if you have a record, it's findable/auditable.

Records Retention Process

- Most institutions have a university-wide policy
- Grant retention schedules may be longer than the university-wide policy
- Clearly identify what departments keep what information
 - Administration, Sponsored Projects, Department, Grant staff
- Clearly define how you determine retention length (*non-funded proposal, expired project*)
- Determine what medium (*electronic or paper*)
- Maintain a disposition log

Interacting with Auditors: *The Good*

- DO truthfully answer all questions.
- DO respond only to questions asked.
- DO listen carefully to questions before responding.
- DO ask clarifying questions as needed.
- Provide answers IF you have first-hand knowledge and facts to support your answers.

Interacting with Auditors: *The Bad*

- Never argue (auditors are number crunchers and don't know what they are doing, right?)
- Never speculate even if asked (nothing is better than making stuff up during an audit)
- Don't ramble (the more you talk, the less the auditor will listen, right ??)
- Don't get emotionally involved (of course the auditor is picking on YOU)

Overall Lessons

- Be prepared
- Less is more
- Follow retention procedures
- An Audit Response Plan is not just a good thing but a vital component of your mental well being
- Develop a positive relationship with your general counsel and internal auditor
- Regularly educate faculty and staff concerning audits
