Audit Savvy

Session 2.1

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Being “audit savvy” is...

• Being *proactive*
• Being *prepared*
• Being *persistent*
For every minute spent in organizing, an hour is earned.

~Anonymous
Attendees will learn

• Types of audits and questions
• Levels of audit findings
• The roles needed for strong documentation
• How to build strong documentation
An audit by another name is still... an *audit*

- Annual (A-133) external R&D Audit
- Federal/sponsor audits
- Desk reviews
- Investigations
- Quarterly reports are audits too!
Who Audits our University?

• Federal Government – Office of Naval Research is UD’s cognizant agency

• A-133 Auditors—KPMG

• Program Auditors
  – MUST tell VP Fin office when programs contact us
  – Coordination and information must come from Research & VP Fin for consistency
What’s in an Audit?

- Identify major programs based on expenditures in fiscal year (SEFA)
- Cash Management
- Review previous audit findings
- Cost share (committed vs. actual)
- Review new programs or those with regulatory changes
- Expenditures (budget vs actual)
- Financial Reporting
- Effort Reporting
- Review personnel or system changes
- Subawards
A-133 Purpose

• Establishes audit requirements and defines federal responsibilities for implementation and monitoring such requirements for institutions of higher education

• Institutions receiving more than $500K in Federal Awards require an audit

• Audits shall normally be performed annually
Keys to a Successful Audit

Audit Trails...“If it’s not documented, it didn’t happen....”
Before anything else, preparation is the key to success.

~Alexander Graham Bell
What to Expect if Audited?

- You are guilty until proven innocent

- The burden of proof regarding allowability is on the University NOT the auditor
Audit questions/observations

• Verify checks and balances
• Verify terms are followed
Red Flags

- Insufficient documentation
- Significant number of late transfers (greater than 90-120 days)
- Transfers from an account in overrun status to an account with large balance
- Significant number of transfers from departmental account to sponsored accounts
Are Cost Transfers Necessary?

• Federal auditors recognize this necessity

  HOWEVER...

• Cost transfers cannot be used as a management tool
• Must meet the A-21 test of being
  reasonable, allocable and allowable
• Frequent, late, and poorly explained cost transfers raise questions about the appropriateness of expenditures and the effectiveness of the University’s internal controls
Types of findings

- Material weaknesses
- Significant deficiencies
- Deficiencies

- Questioned costs can result from all above
Audits

• Question: When do you start preparing for an audit?

• Answer: The day you prepare a proposal
Who’s who: Roles and Responsibilities

Administrator
- Read the award
- Know the terms
- Translate rules to outcomes
- Question expenses
- Maintain documentation

Principal Investigator
- Read the award
- Know the terms
- Present ideas of WHAT is desired outcome
- Justify allowability
- Provide justification

Central Office
- Read the award
- Know the terms
- Guide and facilitate decisions
- Seek sponsor approvals as needed
- Help determine relevant documentation
Vulnerabilities

- Pro card / Travel Card
- Lingering close outs
- Oddities
- Unlike circumstances
EXERCISE

build strong documentation
Building a stronger document
Ask yourself...

• Would a stranger *understand* this justification?

• Would I understand these details in a 6 month *review* of the document?

• Do I *believe* this justification?
Let’s build the documentation

• Scenario 1: FLY America
• Scenario 2: PI out of town
• Scenario 3: Equipment purchase
Scenario 1: Fly America

Award requires FLY America compliance. PI needs to travel out of country, wants to fly Air Canada.
Scenario 2: PI out of town

PI is on sabbatical; PI is funded 8% on award, effort of 12% for the total year. Grad students continue to do the research. What are the challenges?
Scenario 3: Equipment purchase

End date of award is in 30 days. This award is not under expanded authority. Equipment purchase needed on a grant. What challenges does this represent?
In summary

Audits...

• Are necessary
• Should not be feared
• Validate good business processes

Documentation...

• Validate expenses
• Can be obtained in many ways
• Ensures good monitoring /business processes
Questions?

Contact Sponsored Research Accounting or Contract & Grant Administrator

www.udel.edu/research