



Feel like saying “not-it” when the topic turns to audit?

A comedic introduction to the not so funny topic of audits.





Introductions

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Agenda

Brief overview of audits

A light gray downward-pointing arrow indicating the flow from the first item to the second.

Interactive scenarios

A light gray downward-pointing arrow indicating the flow from the second item to the third.

Addressing audit anxiety



Today's Objectives

1

Participants will differentiate between audit scenarios that are sound practices versus those that may cause an audit findings.

2

Participants will engage one another during a positive, energizing exercise which may also reduce stress of the day.

3

Participants will learn the relevant uniform guidance rule that applies to audit issues.

Why this presentation?

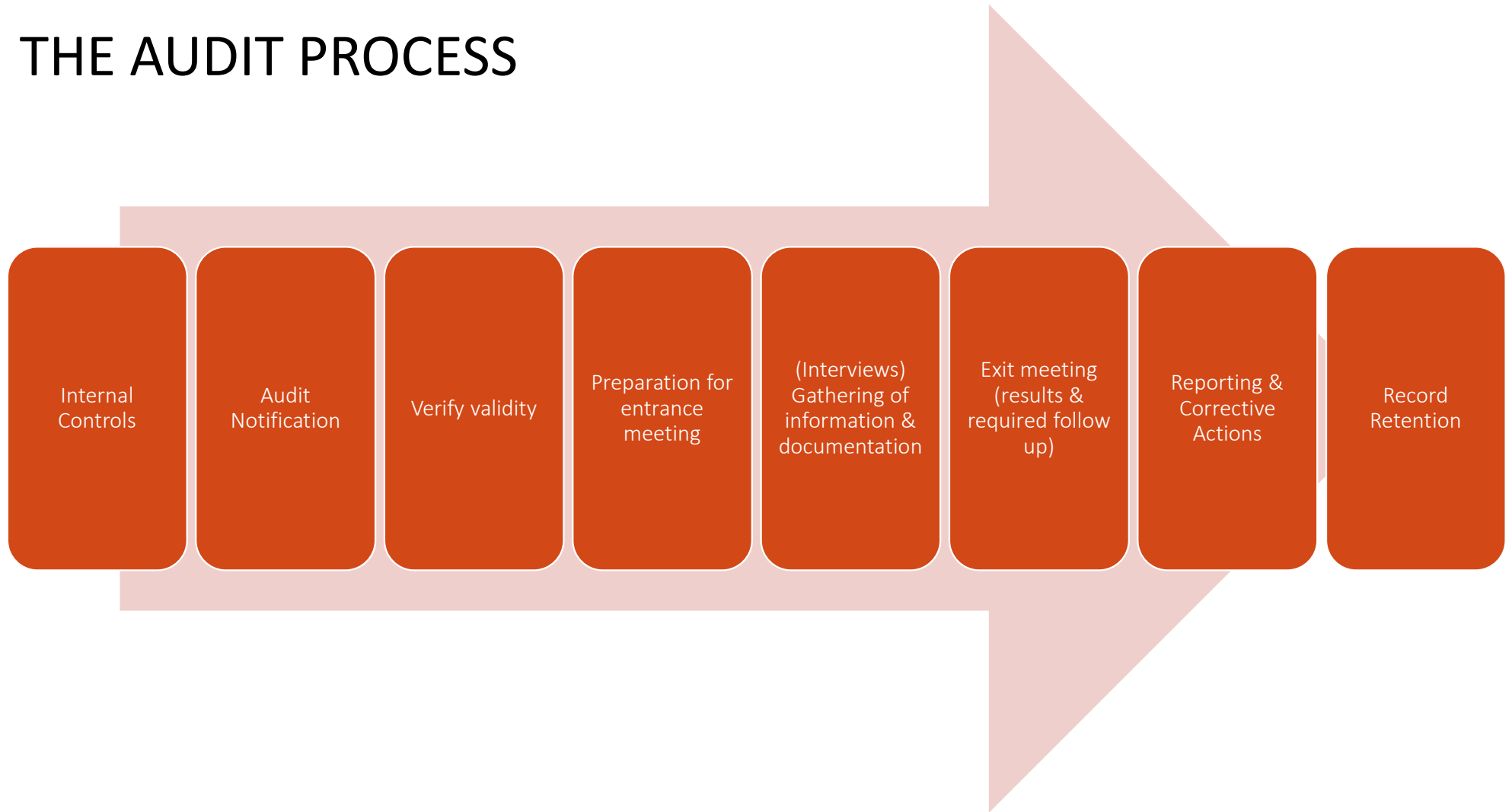
- It's **confusing**! Different types of audits, and multi-layered rules to follow.
- It can be **scary**; what you hear are often only warnings without context.
- Different sizes of institutions can mean varying proximity to be familiar with audits.
- Unless you've been involved, it's **mysterious**!

Types of Audits

- Institutional (internal)
- Program or department (internal)
- Agency (Sponsor) desk review/ monitoring “audit”
- Agency Office of the Inspector General (OIG) audit



THE AUDIT PROCESS



-Consequences

Fines and
Penalties

Increased
Monitoring

Loss of
Expanded
Authority

Reduced or
Restricted
Funding

Damage to
Reputation

Suspension,
Debarment,
Exclusion of
individual
and/or
institution

+Consequences

Learning of
Process

Building of
Relationships

Ensuring
Quality

Improving
Reputation

Expanding
Network

Comic Relief = Laugh when you feel like crying



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Sample Scenarios

What not to do.

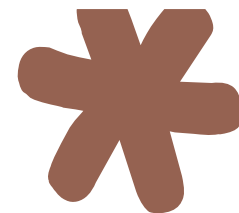
Audience Participation Time!

Next up are four scenarios pulled from real Department of Health and Human Services (DHHS) Office of the Inspector General (OIG) audits.

We'll then talk through the finding, and discuss each issue and regulation presented.



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NIH – Salary & Effort reporting

Effort Reporting deadline

The University requires time and effort reports to be completed and certified for every 6-month period (Jan – Jun; Jul – Dec); however, the University's policy does not specify how soon after the reporting period ends that employees must certify their time and effort reports.

Effort Certification

A university effort report was certified 5 months after an effort reporting period (e.g. May)

The individual's effort was reported to NIH as part of the annual Research Performance Progress Report (RPPR) in October for the grant performance period ending July 31.

Effort certification

The effort reported on the NIH Progress Report did not match the University's effort certification.

<https://oig.hhs.gov/oas/reports/region7/72005127.pdf>

“So, what’s the big deal?”

- a. Someone didn’t synchronize their watch; this effort report wasn’t submitted at the same time as the RPPR.



- b. Nothing to see here; are you sure there’s even a problem?



- c. “I thought you did it.”
“No, you were supposed to do it!”
Whether it’s turning off the coffee pot off, or
confirming accurate reporting, someone needs to
check and that didn’t happen here.

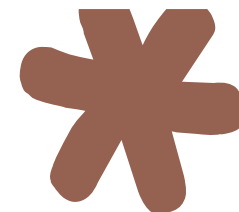




The finding

“NIH award recipients are allowed a specified period of time to submit required financial and final progress reports... the University’s controls were inadequate to ensure that employees completed, certified, and submitted their time and effort reports so that the University could meet the NIH established reporting due dates.”

45 CFR § 75.303(a) Internal Controls; 45 CFR §§ 75.341 Financial reporting; and 75.342(b)(1) Monitoring and reporting program performance, ***and*** the NIH Grants Policy Statement, section 8.3 Management Systems and Procedures and 8.4.1 Monitoring



NIH - Travel

Travel Authorization & Flight

The employee's travel authorization form showed that the employee intended to stay 2 nights for participation in a 3-day conference.

The flight reservation indicated the employee arriving on the first day and leaving on the last day of the conference.

Hotel

The employee booked a hotel stay to attend this conference for 3 nights; however, the employee stayed at the hotel for only 2 nights and returned to the University on the third day.

Expenses

Full airfare costs were charged to an NIH award. Likewise, the full cost of the hotel, which billed for 3 nights, was also expensed to the grant.

<https://oig.hhs.gov/oas/reports/region7/72005127.pdf>

“So, what’s the big deal?”

a. Do you always check the receipt to make sure it’s correct? Well, NIH does the same thing- spoiler alert, they aren’t paying for the extra night.



b. What does travel have to do with research?




c. Just like not using another person’s Netflix, thou shall not travel outside the dates of the conference.





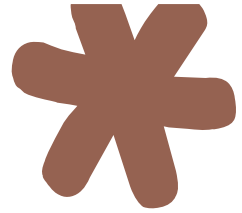
The finding

University officials indicated they were not aware of this error until the audit; they agreed with us that the third night of the hotel stay should not have been charged to the award. The error pointed to a shortcoming in the University's management of NIH awards.



45 CFR § 75.303(a) Internal Controls; 45 CFR § 75.403 Factors affecting allowability of costs

Subrecipient Monitoring



Indirect Costs

The lead institution is requesting that all subrecipients either cost share the F&A or use the de minimis indirect cost rate of 10%. The subrecipient decides to include their negotiated F&A rate instead.

Invoice payment

The PI has confirmed that all deliverables have been received. The Invoices contained the following information and was subsequently paid:

- current and cumulative expense,
- dates of service,
- signature of subrecipient administrator,
- evidence of PI's approval,
- approval of sponsored programs manager

Deliverables

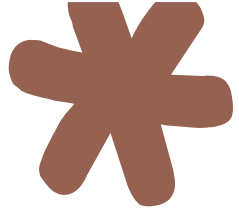
The subrecipient PI sent the required data and final report to the lead PI today because he is starting a sabbatical in Tristan Da Cunha where he will not have WIFI access or any means of communication for a year. The sub's final invoice was paid two months ago in anticipation of this event.



The finding

“All pass through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Reviewing financial and performance reports required by the pass-through entity

2 C.F.R. 200 titled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Specific monitoring requirements of the Subrecipients are contained in Subpart D



Recharge Center Services

Budgeting

The recharge center is including some of their personnel in the budget based on their effort and others based on their approved rates. All of the personnel have been captured in the approved rates formulas and will be providing services quoted in the charge out rates.

Cost Transfers

Internal charge out costs were transferred to the grant with a detailed explanation and within 90 days of the original transaction date.

Invoices

An internal charge out rate invoice has been approved and paid with the following details:

Project and PI's name

dates of service,

Services provided, units and costs.

evidence of PI's approval,

Grant manager approval



The finding

“(b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that: (1) Does not discriminate between activities under Federal awards and other activities of the non-Federal entity, including usage by the non-Federal entity for internal purposes, and (2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially, and must take into consideration over/under-applied costs of the previous period(s).

2 C.F.R. 200 titled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 200.468 Specialized service facilities.

From the experts!

... Be mindful of your documentation and record retention.

... Talking with an auditor can be intimidating; answer honestly, accept the silence, and if possible, have a supervisor join the meeting.

... Know (*or learn*) the policies that intersect with your work. Institution, sponsor, **and** Federal levels.

... Follow established procedures

ASK QUESTIONS!



The PIA Audit



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A PI and Co-PI asks for indirect costs to be waived on an industry proposal with a budget of \$450K direct costs per year for 5 years. There are 5 potential subcontracts and 5 consultants on this proposal. How will you respond to this request?



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- A. Give a colossal side eye and continue to eat your toasted peanut butter and jelly sandwich before it gets colder.
- B. Tell them that we can do that if their parents will write a check for the indirect costs?
- C. Say, "What you talkin' 'bout, Willis?"
- D. Inform them that we must treat all sponsors similarly and that indirect costs must be recovered whenever possible while laughing under your breathe.



The project is about to end and you learn that the PI has approved all subcontractor invoices but has not received one progress report to support expenditures. What do you do?



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- A. You would put in your request for a one month vacation to Fiji.
- B. You would email the sub-recipient a sad face emoji.
- C. You would meet with the PI to remind of responsibilities and determine a strategy to get the reporting in hand.
- D. You would put the subcontractor agreement to the fire and use it to light your lavender scented Yankee candle.





Countdown to Calm Down

- 5 Things you now know
- 4 Things to look out for
- 3 Resources to utilize
- 2 Additional trainings
- 1 Takeaway





Five things you now know!

Different types of audits

What an auditor may review

How your daily work might be involved

The importance of record keeping

Do your due diligence to review/ monitor (when applicable) and ask questions

Four (4) things to look out for



Travel



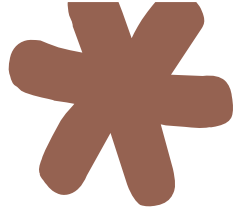
Salary/ Effort



Subrecipient Monitoring



Cost Transfers



Three (3) Resources

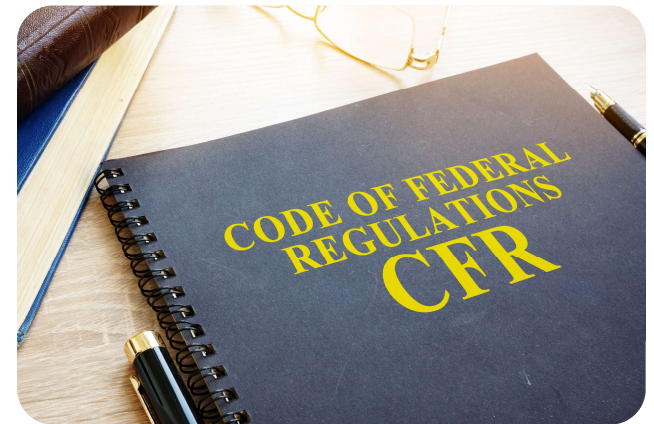
Institutional Policy & Procedures



Agency Guidelines & Policy



The Code of Federal Regulations



Two (2) additional trainings resources



NCURA travelling workshop on Audits:

<https://www.ncura.edu/travelingworkshops/Auditing.aspx>



The Institute of Internal Auditors – Standards:

<https://www.theiia.org/en/standards/?AZRedirect=True>



One (1) Takeaway

*We want to hear what you've
thought about from this
presentation.*

Write a **comment** about one
thing you learned or will do
differently because of today's
presentation.



We appreciate you Joining us
today.

Questions?



**Thank
you!**

Questions about this Presentation?

Contact the Presenters:

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Tracy Gatlin at tracy.gatlin@montana.edu

Have a topic you want to see presented or discussed?

Contact the Region VII PEDC with your ideas:

OSP_info@mail.colostate.edu



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SAVE THE DATE

Next up on the Region VII PEDC Sessions:

Region 7 Roundup

April 9th at 11:30am MDT



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