

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

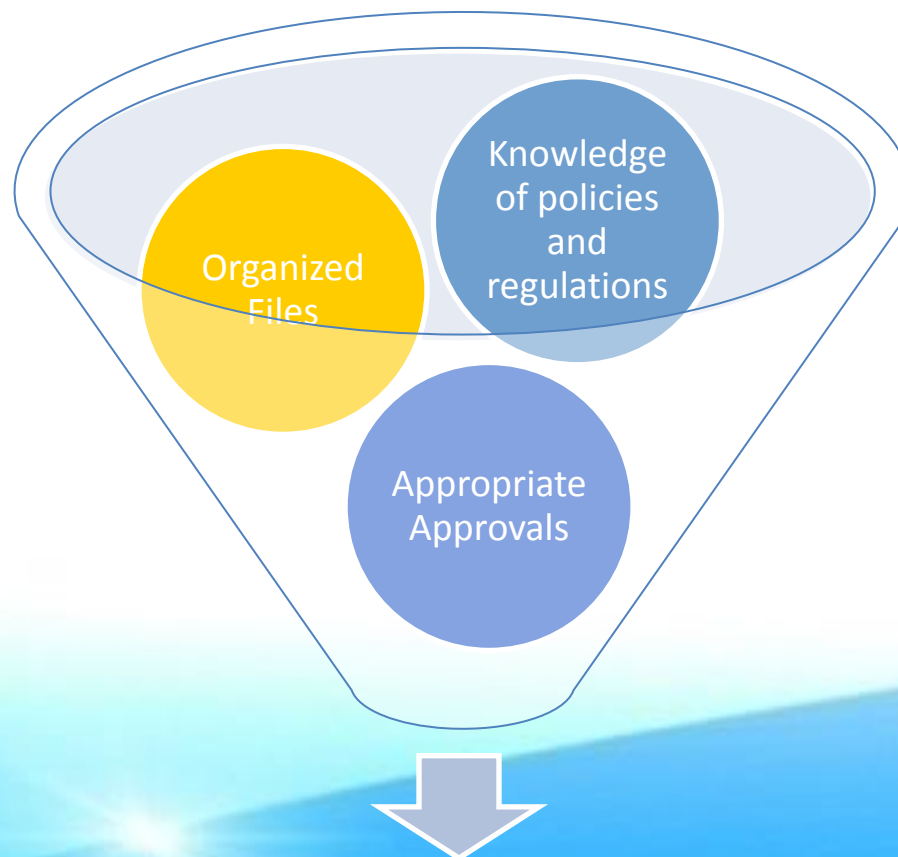
Subawards



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

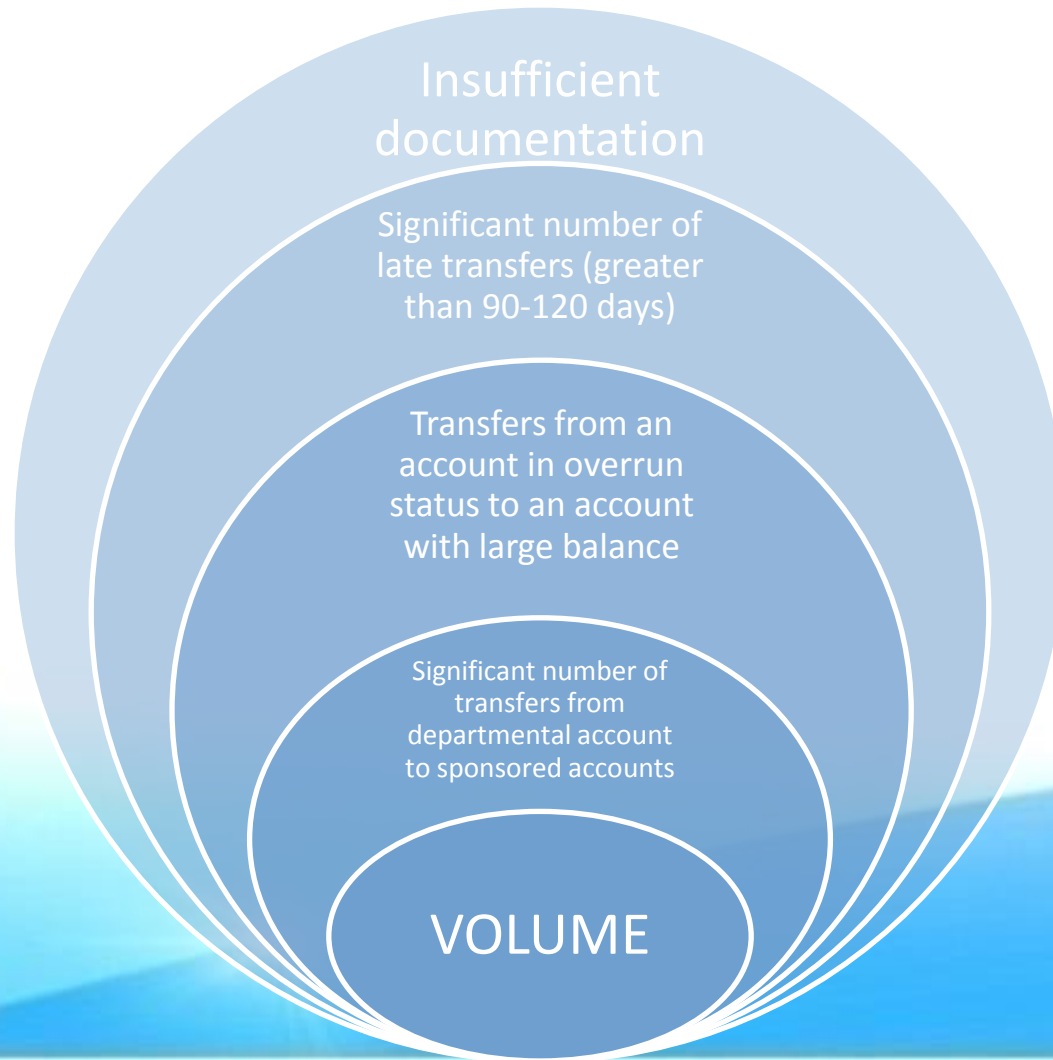
What to Expect if Audited?

- 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



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



Principle 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