Audit Issues

Heather Lopez,
Director Internal Audit
Unallocable Costs - $2.3 mil

- Harvard - $5.5 direct/indirect costs related to grant awards on 4 NIH grants

- Subcontractor - Improper Claims:
  - Salary of people not working on grant,
  - Salary in excess of budget amount,
  - Expenses for projects not related to grants,
  - On behalf of scientists not eligible to work on grant, or did not work on grant

Lack of Disclosure/Effort - $2.6 mil

• Cornell Medical College – qui tam complaint under False Claims Act

- PI did not disclose full extent of various active research projects when submitted application
  - Researchers are required to disclose projects and time in order for grantors to assess ability to perform project
- Commitments exceeded 100% of available time
Unallowable Costs - $35 mil

- University of Washington - False Claims Act
  - Charged for operations retroactively billed to Medicare
  - Charged for bedside procedures by doctors who weren’t at bedsides
  - Charged for surgical procedures done in absence of surgeons
Unallocable costs - $7.6 mil

• Yale University – False Claims Act
• Grants made by ~30 federal agencies and organizations (94% of $3 Bil by DHHS, NSF, Energy, DoD, NASA)
  ▪ **Cost transfers** – charges to grants not allocable (*motivated to spend down funds near term)
  ▪ **Effort** – charged 100% for summer effort, though researchers spent significant time and effort on unrelated work (*motivation by academic researchers - summer salary paid as result of effort charged to grants)
State Audit Finding: Equipment

- Asotin County – ($106,000 Homeland Security Grant)
  - Failed to maintain proper records for equipment purchased with federal money
  - Failed to conduct physical inventory every two years as required
  - Items purchased not on inventory listing, could not be located
Scope of Audits

- **Compliance** with applicable laws and regulations
- **Cost** – cost allocation, allowable costs, transactions properly recorded, timely and accurate
- **Safeguard** of resources
What triggers an audit?

• Statutory requirement
• Contract contingency
• Complaint
  ▪ Internal/External
  ▪ Whistleblower
• Management request
• Part of control environment
Effects of a Negative Audit

• Loss of future awards
• Bad publicity
• Potential undermining of public trust and confidence in agency and government
• Personal losses

• Penalties
Top 10 Audit Findings (Dept of Justice)

- Untimely report submission
- Lack of documentation
- Inadequate monitoring of subrecipients
- Inadequate time/effort reports
- Inaccurate reports (financial status reports)
- Commingling of funds
- Excess cash on hand
- Unallowable or unallocable costs
- Inappropriate changes
- Conflicts of interest
Audit issue - Costs

All expenditures on the grant must be:

• allowable
• allocable
• within its time period
• reasonable
• consistently applied
Audit Issue – Allowable Costs

- Costs must be:
  - Reasonable
  - Allocable
  - Applied consistently
  - Conform with the rules of Generally Accepted Accounting Principles and the federal OMB circulars.
Audit issues - Allocable Costs

• The expenditure is incurred solely to advance the work on the project  OR
• The expenditure benefits both the sponsored agreement and other projects in proportions that can be reasonably approximated
• Any costs that are allocable to a particular sponsored agreement may not be shifted to other sponsored agreements to meet cost overruns or for other reasons of convenience.
Avoid Audit Findings and Audit Issues

• Ensure a thorough, fact-based proposal
• Review and improve financial, administrative and project management systems
• Read and understand before you sign – and, revisit award requirements frequently during the project
• Ensure all related to project understand the project and award requirements and that they communicate fully and frequently throughout the project
• Know your resources and use them
• DOCUMENT, DOCUMENT, DOCUMENT
Resources

• WSU Sponsored Programs Service
• WSU Office of Grant & Research Development
• Internal Audit – 5-2001, hlopez@wsu.edu
• OMB Circulars - http://www.whitehouse.gov/omb/circulars/
• SAO – http://www.sao.wa.gov