Coffee with Colleagues

Why does PAFO always say “NO”

All About Audit

Feb 25, 2020

Photronics, CRC
**Agenda**

- What, Who & Why
- Activity: Be the auditor
- Discussion

**Presenters**

**Gretchen Hartigan**, Assistant Vice President, Post Award Financial Operations

**Missy Downs**, Director, Research Finance and Property Management, PAFO

**Craig Gerome**, Assistant Director, Compliance, PAFO

**Shelly Stewardson**, Director, Research Accounting, PAFO
The Goal

BU’s responsibility to all external funders to be fiduciary responsible and compliant with rules and regulations.

PAFO’s responsibility to protect BU’s research program while maintaining a strategic balance of service and compliance.

Staff will connect how the actions and choices they make now will impact the department when an audit occurs later.

Goal for today: Think like an auditor
Duke’s mishandling of misconduct prompts new U.S. government grant oversight

By Allison McCook, Retraction Watch | Mar. 23, 2018, 4:15 PM

Last week, the U.S. National Institutes of Health (NIH) imposed unusual new requirements on researchers based at Duke University in Durham, North Carolina, who receive federal funds. The changes are a response to concerns over how the
### BU Examples

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<th>Site Visit, Department of Justice</th>
<th>NSF, Office of Inspector General</th>
<th>Department of Defense</th>
<th>Uniform Guidance</th>
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<td><em>Rebudgeting</em></td>
<td><em>Subrecipient monitoring</em></td>
<td><em>Effort</em></td>
<td><em>Subrecipient Monitoring</em></td>
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<td><em>Indirect costs</em></td>
<td><em>Paid back $166,130 in disallowed costs (consultants, foreign travel)</em></td>
<td><em>Created what is now the current Effort Policy</em></td>
<td><em>Evaluation of sub’s risk of noncompliance with Federal regulations and subaward terms &amp; conditions</em></td>
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Paid back $18.63 in disallowed costs
How often is BU audited?

A. <5 times a year
B. 5-10 times a year
C. BU is always being audited
What an auditor does

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for the University’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
Types of Audit: Who and What

- Office of Inspector General (OIG)
- Sponsor (Federal or Non-federal)
- Pass Through Entity (BU as Subrecipient)
- Uniform Guidance Audit & Financial Statement (annual)
- Internal Audit & Advisory Services (IA&AS)
Federal Audits Life Cycle: Notification

Notification of the review
• Typically sent to Principal Investigator (PI).
  *(Please forward to Craig Gerome)*

• If sent to SP or PAFO, we will notify PI and Department Administrator (DA)

• PAFO is central contact to auditor and facilitates scheduling of visit with PI
Federal Audits Life Cycle: Scope

- Audit typically covers a specific award
- Scope of the audit varies from sponsor to sponsor
- No standard format among agencies
- All audits will include one or more of the following elements
Federal Audits Life Cycle: Scope

Audit with Site Visit

1. Desk Review
   - Limited to reviewing all expenses on 1 invoice

2. Administrative
   - University policy and procedures

3. Programmatic
   - Meeting with PI, tour of lab

4. Financial
   - Grant expenditures, Notice of Award
PAFO provides report of all grant expenditures (general ledger), from which specific testing selections will be made.

PAFO provides supporting documentation for each individual testing selection.

PAFO will contact DA if unable to locate supporting documentation or for further information or clarification.

PAFO responds to auditor follow up questions.
Federal Audits Life Cycle: Conclusion

- **Final report** from Sponsor (can take months)
- Form of final report varies widely
- Report will indicate:
  - Findings and/or questioned costs
  - Issues for Resolution (opportunity to respond)
  - Recommendations (programmatic/administrative)
Annual Uniform Guidance (UG) Audit

Covers entire fiscal year, broken up into two periods:
1. “Interim” covers July – February (occurs in the spring)
2. “Q4” covers March – June (occurs in the fall)*

*Q4 is the same process, just fewer selections; and they select 5 additional grants to test.

20 grants selected from a list of all federal grants with expenditures in given fiscal year.

Over 200 individual selections made during interim testing period.

PAFO provides supporting documentation for each individual testing selection.

Multiple rounds of follow up questions with auditor management team, then auditor firm partners.
What does an auditor look at?

- Salary
- Cost Transfers
- Direct Costs

High Risk Areas
- Effort
- Period of Performance
- Cost Transfers
- Procurement
- Subrecipient Monitoring
There are several compliance categories that auditors will look at, we’ll look at examples of a few now, those in bold.

**Compliance Categories**

- Allowable Costs/Cost Principles
- Cash Management
- Eligibility
- Equipment
- Matching, level of effort
- **Period of performance**
- Procurement
- Program Income
- Subrecipient Monitoring
- Special test and provisions
Allowable Costs/ Cost Principles

- **Salary expenses**: (i) the PA15 Labor distribution report, (ii) the PAR, (iii) SAP/HR job description, (iv) evidence of salary increases and increase approvals.

- **Non-salary expenses**: Invoice and AP disbursement request form, purchase order/shopping cart (see Procurement), P.Card approval, Concur expense report, etc.

- **Cost transfers**: journal entry or salary adjustment along with PAFO approval, PI approval (if over 90 days), BW report showing original posting, and all additional supporting documentation (invoice, PAR).

- **Budget-to-Actual**: screenshot from the Business Warehouse showing total Budget allowed per the Grant and cumulative expenditures to date.
• Selections cover all testing areas

• Documentation must show that expense was incurred during the award’s period of performance

• Invoices can still post after end date, but goods and services must be received during project period
Subrecipient Monitoring

• Subrecipient invoice (with UG certification if applicable)
• AP Subrecipient Invoice Disbursement Form
• Subaward agreement
• PI approval of the invoice
• PAFO RA’s approval
• PAFO also submits records of all our annual subrecipient monitoring and desk reviews
Procurement

- Purchase order and approval
- Shopping cart and approval
- Vendor invoice
- Competitive bid/sole source documentation
- Contract/Agreement
- Documentation showing suspension and debarment status was verified
Cash Management

- **Letter of Credit draws**: copies of draw requests noting signature of preparer and approver, tie payment from government to bank statements, show GL support showing recording of cash received.

- **Advance billing accounts**: award agreement and copies of any payments received during fiscal year. Tie payments to bank deposit.

- **All accounts**: Auditors test expense paid for before it was drawn or invoiced. GL support showing posting date of expense, payment date and copy of check/bank statement proving expense was paid.

- Provide **interest calculation worksheet** to determine if calculation is being performed and funds are being returned properly.
Record Retention Policy

https://www.bu.edu/policies/record-retention-table/

https://www.bu.edu/policies/record-retention/
Please Note: If a Sponsor reaches out to you or your PI directly as it relates to Audits or Site Visits, please immediately contact Craig Gerome, Assistant Director, Compliance, PAFO at cgerome@bu.edu or 617.353.8085 as we need to be involved and/or lead the process.
Key Takeaways

• Document everything and be careful what you say in emails.