



**COFFEE WITH COLLEAGUES**

**WHY DOES PAFO ALWAYS SAY "NO"**

**ALL ABOUT AUDIT**

Feb 25, 2020

Photonics, CRC

# AGENDA

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



# PRESENTERS

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

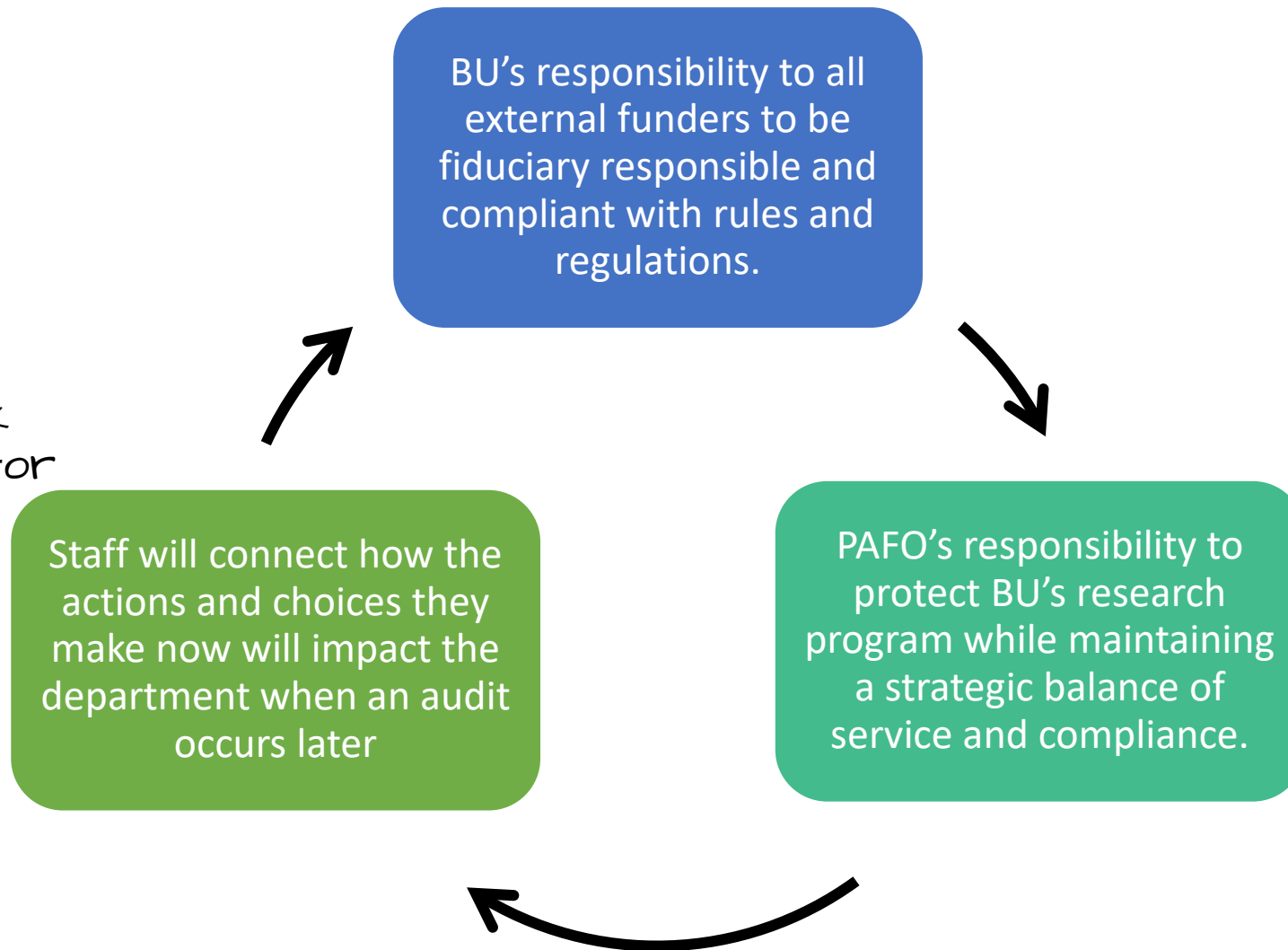
**Missy Downs**, Director, Research Finance and Property Management, PAFO

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

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

# The Goal

★ Goal for today: Think like an auditor



# Why it matters

## Science



The old chemistry building on the campus of Duke University in Durham, North Carolina, which is under scrutiny for how it has handled research misconduct cases. ISTOCK.COM/BSPOLLARD

### Duke's mishandling of misconduct prompts new U.S. government grant oversight

By Alison 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

### Ex-Prof Used Federal Grant Money on Strip Clubs. Now Drexel University Has to Pay the \$190,000 Bill.

HUSTLED

For 10 years, **Chikaodinaka Nwankpa** allegedly took government money for engineering research and spent it on clubs offering "the area's most beautiful women dancing on five stages."



Olivia Messer  
Reporter

Updated Oct. 08, 2019 9:52AM ET  
Published Oct. 08, 2019 9:42AM ET



# BU Examples

## Site Visit, Department of Justice

- Rebudgeting
- Indirect costs

Paid back \$18.63 in  
disallowed costs

## NSF, Office of Inspector General

- Subrecipient  
monitoring

Paid back \$166,130  
in disallowed costs  
(consultants, foreign  
travel)

## Department of Defense

- Effort

Created what is now  
the current Effort  
Policy

## Uniform Guidance

- Subrecipient  
Monitoring

Evaluation of sub's risk  
of noncompliance with  
Federal regulations and  
subaward terms &  
conditions

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



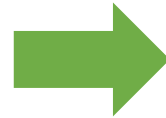
University policy  
and procedures



Meeting with PI,  
tour of lab

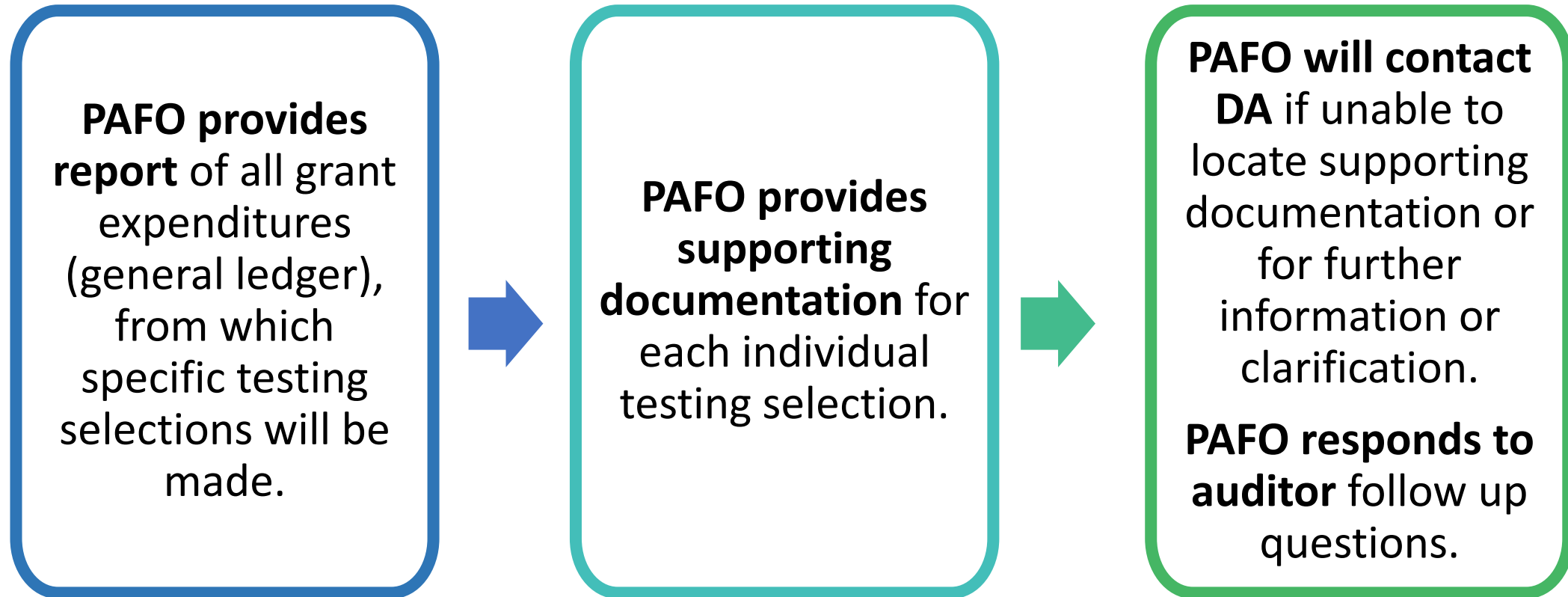


Grant expenditures,  
Notice of Award



Limited to reviewing all expenses on 1 invoice

# Federal Audits Life Cycle: Financial Portion



# 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)

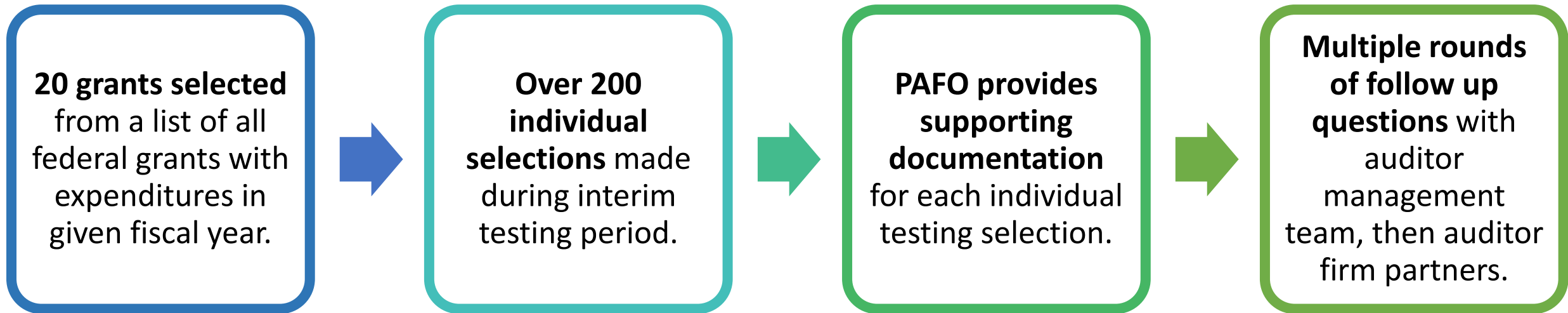


# Annual Uniform Guidance (UG) Audit

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.



# What does an auditor look at



- Salary
- Cost Transfers
- Direct Costs



## High Risk Areas

- Effort
- Period of Performance
- Cost Transfers
- Procurement
- Subrecipient Monitoring

# Compliance Categories

There are several compliance categories that auditors will look at, we'll look at examples of a few now, those in bold.

- **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.

## Period of Performance



- 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

Boston University Policies

[Search Policies](#) [About Policies](#) [News & Updates](#) [Contact Us](#) 

[DOWNLOAD PDF](#) → Effective Date: **June 1, 2009**

**POLICY**

[EMPLOYMENT, FINANCE AND ADMINISTRATION, INFORMATION MANAGEMENT](#)

## Record Retention Policy

RESPONSIBLE OFFICE  
**Comptroller**

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

<https://www.bu.edu/policies/record-retention/>

# Contacts

- 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](mailto: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



**"You gave away 60 billion toys and didn't get one receipt?!"**