

Under the Spotlight: Emerging Audit Hot Topics

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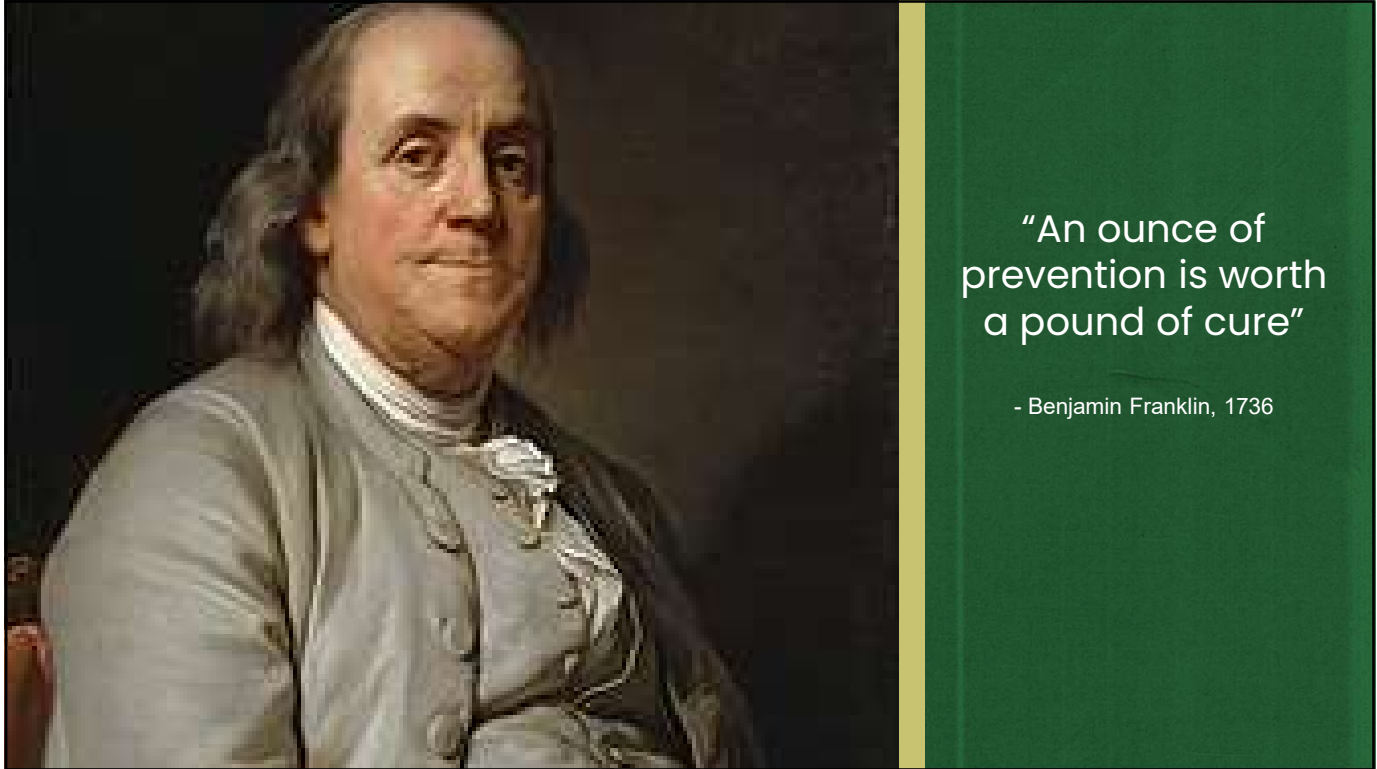
Today's Agenda

- Audit Basics
- When to Start Preparing for Audit
- Risk Assessment for Audit Preparation
- What To Do When You're Being Audited



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Audit Basics

Audit

- "An official inspection of accounts, typically by an independent body."
- Conducted by an internal audit department, a CPA firm, or a sponsoring agency OIG

Findings

- Significant Deficiency
- Material Weakness

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Audit Basics

Desk Review

- “A comprehensive review of materials available in the grant file to determine administrative, financial, and programmatic compliance and grant performance.”
- May be done virtually by a sponsor or pass-through entity.

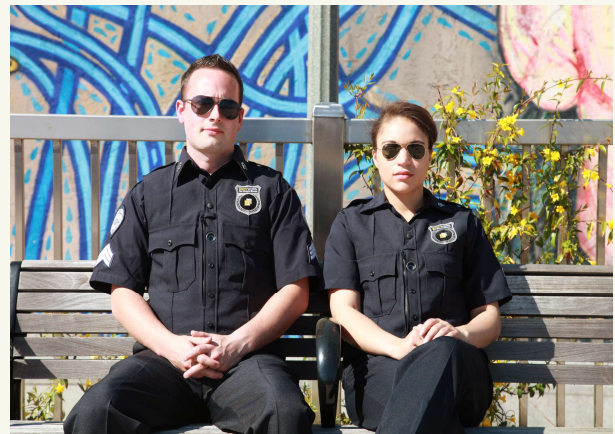


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Audit Basics

Investigation

- “A specific inquiry to uncover facts and identify potential wrongdoing.”
- Conducted by Agency OIG, FBI, or other State or local law enforcement



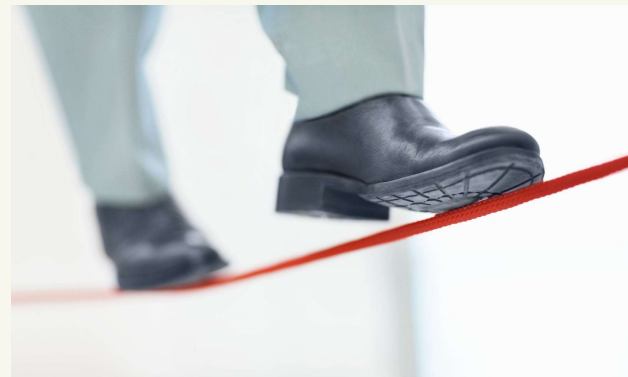
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Risk-Based Audit Preparation

- What are the highest risks overall?
 - Most common findings for similar organizations and/or your biggest sponsors
- What are the highest risks for your organization?



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Risk Assessment

External

- The current landscape
- Emerging issues
- Most common and/or serious findings

Internal

- Where are your gaps?
- Do you have policies and internal controls in place to deal with the issues?
- What about your people?

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Risk Matrix

		Likelihood		
		Low	Medium	High
Impact	High	Medium Risk	High Risk	Very High Risk
	Medium	Low Risk	Medium Risk	High Risk
	Low	Very Low Risk	Low Risk	Medium Risk

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Examples

NSF OIG – March 2024

- \$1,251,186 in questioned costs
 - \$1,122,864 for an unallowable fixed amount subaward
 - \$77,196 of inadequately supported expenses
 - \$28,809 of unallowable expenses
 - \$20,317 of inappropriately applied indirect costs and fringe benefits rates
- Noncompliance with Federal requirements for pass-through entities
- Noncompliance with their own policies
- Outcome: The University paid back \$126,322 to NSF.

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Examples

NSF OIG – May 2024

- \$41,311 in questioned costs
 - \$29,567 of unallowable expenses
 - \$7,242 of unallowable costs associated with indirect cost rates not appropriately applied
 - \$4,502 of inadequately supported expenses
- Intergovernmental Personnel Act (IPA) assignment not appropriately established or accounted for
- Noncompliance with internal policy
- Outcome: The University paid back \$33,066 to NSF.

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Examples

HHS OIG – May 2024

- \$44,763 that exceeded the NIH salary cap for calendar years 2017, 2018, and 2019
- \$24,818 for a PI salary increase that was contingent on the retention of external funding
- \$3,060 of supplies transferred that did not meet Federal requirements
- \$874 in travel costs that were not documented
- Could not verify that 7 of the 14 key personnel completed the required FCOI training
- Could not verify that 9 of the 14 key personnel completed the required FCOI disclosure forms
- Outcome: OIG requested back \$73,515. The College agreed to pay half the amount.

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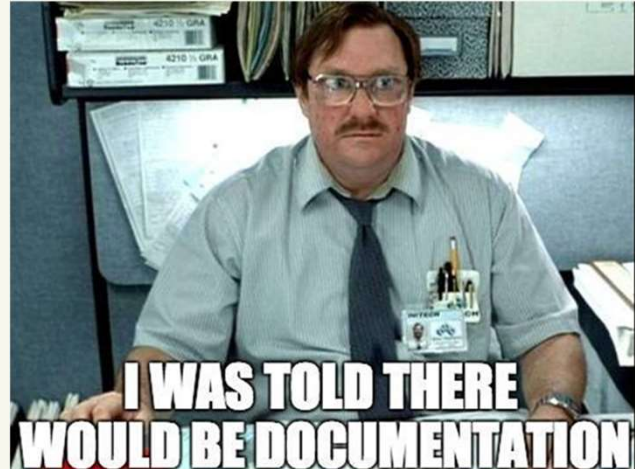
More Serious Examples:

- \$1M to settle claims that it did not properly account for rebates and credit received on purchases made on federal awards.
- \$801,756 to settle claims that a professor falsified documentation for a federal award.
- \$3M to settle HIPAA violations because personnel lost a USB and a laptop (unencrypted!) containing private information on patients.
- \$10M to settle claims that it improperly charged NIH grants for effort that was not related to the grant activity.

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External Factors: Most Common Findings

- Unallowable expenses
- Inappropriately applied IDC
- Inadequately supported expenses
- Noncompliance with policies and procedures
- Insufficient subaward monitoring



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Low Hanging Fruit for Auditors

- Effort reporting/certification
- Missing or insufficient documentation
- Boilerplate justifications
- Excessive or late cost transfers
- Participant support costs
- Wonky allocation methods
- Missing prior approvals
- Travel
- Subrecipients



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Mitigating Risks

- Develop, review, and update policies and procedures
- Documentation
- Monitoring and Review
- Strengthen controls over IDC application



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When You've Been Chosen

- Who needs to know?
- Who needs to respond?
 - Who is the point of contact?
- What information needs to be provided?



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Responding to Questions from Auditors

Questions you may be asked:

- Equipment expenses were charged to a department and grant accounts, was the allocation method reasonable?

Information you should provide:

- Justification including allocation method used (which should be well documented already)!

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Responding to Questions from Auditors

Questions you may be asked:

- Why were salary costs transferred 6 months after they incurred?

Information you should provide:

- Justification including extenuating circumstances
- Workload is not considered an extenuating circumstance
- Late account setups or extended negotiations *are*, if properly supported

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Responding to Questions from Auditors

Questions you may be asked:

- Institutional policies require OSP prior approval for a cost transfer. Why was it not followed?

Information you should provide:

- Explanation of situation, including corrective action taken to ensure it doesn't happen again.

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Responding to Draft Audit Report

- Remember that there can be a significant time lapse between project performance and audit.
- Make sure that Auditors have considered all the relevant information:
 - Program solicitations and proposals
 - Annual reports and external reviewer reports
 - Publications and internal project reports and findings
 - Communications with PIs and sponsor program officers
 - Institutional communications showing internal deliberations and decisions made prior to purchases.
 - Testimony or communications from PI or program staff.

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Resources

- [Oversight.gov](https://www.oversight.gov)
- [Federal Audit Clearinghouse](https://www.federalclearinghouse.gov)
- [COSO Internal Control Framework](https://www.coso.org)
- [COGR Overview of DOD Statements on Foreign Influence](#)
- [Office of Federal Financial Management](#)

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The Opaque World: Gifts, Grants, and Private Foundation Grantseeking at CSU

See you tomorrow @ 10AM MT



Let us know your insights in
this 2-minute feedback survey!

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Notes