***Audit Alert: Federal OIG Crashing the Symposium***

**Federal Audit Process / Workplan**

1. **Auditee Selection**

How are Higher Ed institutions selected as part of the HHS audit Workplan?

Typically, grant audits make up about 20% of the OIG audits in their audit plan. Single audits are reviewed and if something needs attention, they will look into the area.

OIG also will investigate programs if a complaint is made. OIG audit will work with the US Attorney or another department to assist with conducting the fieldwork procedures.

The OIG will also utilize national or local news media for selecting areas to review.

1. **OIG Approach**

How des OIG approach an audit of multiple campuses as part of a System?

Each campus is treated separately as a risk-based approach. However, if an issue comes to the attention of OIG, a campus may be singled out.

1. **Auditee Preparation**

How can an institution best prepare for an OIG visit?

Typically, the smaller grantees are where issues arise. OIG will help facilitate the flow of the audit at the auditee’s location, especially if it is known that this location struggles with managing a federal grant.

Auditees should have the auditor’s request list at the entrance conference and ask any questions to make sure they fully understand the information that the auditor is requesting.

It is important that the auditee understands what OIG is requesting. Delays may be caused in the audit process when the auditee sends information to the OIG that is incorrect. OIG would like to take the time to assist with this understanding. If the auditee does not understand why the OIG auditors keep requesting something, it is important that the auditee asks why they are looking for that information. There might be a better way to obtain the information that the auditor needs.

1. **Audit Tools**

What tools do you use/reference in performing an audit to determine an institution’s compliance?

OIG audits to the criteria in Uniform Guidance. They look into time and attendance, thresholds for purchases and supplies, etc. Salaries is usually one of the larger charges that OIG looks into. It is harder to audit effort with the new UG rules, as it is more time consuming because of the interviews that need to be conducted in order to verify some of the charges.

OIG auditors may talk with the awarding agency on certain issues to get their perspective.

1. **Sample Selection**

Could you describe how OIG would approach the sample of awards and transactions as part of an audit?

OIG sample selections are based on a mix of what is charged and a judgmental sample. The sample includes approximately 20% salary charges and 10% equipment charges. Statistical sampling might also be used. Sample sizes range depending on the auditee and the number of errors found. With statistical sampling, a disallowance will be projected. Analytical procedures may be used in the sample selection process.

OIG will select final vouchers to determine if charges are allowable.

1. **Guidelines**

How do you approach the differences between Federal guidelines and an Institution’s internal policies and procedures?

Federal guidelines may be broad, as they don’t give the level of detail of specificity that people might want to see. OIG takes the guidelines and brings it to day-to-day situations.

OIG auditors may also look into RF and campus specific policies during the planning stages and entrance conference. If the policies go above and beyond federal guidance, there is no issue. In theory, there is no weakness or impact in the procedure, therefore, there are no recommendations to report.

If the OIG auditors determine there is a difference from the guidelines or policies, they may determine that there is an issue at hand. They will determine if the dollars are not allowable, as they are not being used for grant related purposes. They will then determine if there was a procedural breakdown. This cause will be noted in the report (i.e., Didn’t do ‘this’, which caused ‘this’. ‘This’ led to ‘this effect’).

1. **Project records**

Do you ever audit project specific records?

It depends on the situation. If auditors are looking at costs, mostly held by sponsoring schools, project specific records may be looked at. If the auditor needs to dig deeper on a particular situation, they may conduct interviews, as they need to gather as much detail as possible. It is rare to go down to the PI level for information.

1. **Audit Finding**

Is it OK to disagree with an audit finding?

It is OK to disagree with an audit finding. The OIG likes to try to work things out well before the draft report is issued. Most of the time, there is a misunderstanding during fieldwork.

If there is something the auditee is in a disagreement with, this can be addressed in the report. In the comments section in the draft report, the auditee will state how you will address the recommendations and whether they concur or do not concur with the finding. OIG may respond to the auditee’s comments in the report. This situation is not common.

All personal and identifiable information will be blacked out if there is a need for something to be included in the report.

The OIG auditors will make recommendations from their audit observations; it is up to their Operating Division to make the decision on if the money needs to be returned to the sponsor. This is another reason the comments section is necessary to be complete, as the operating division has not been involved in the fieldwork procedures and are relying on what is stated in the report.

**Cost Principles**

1. **Effort Reporting**

Have you reviewed alternative methods to traditional effort reporting for personal compensation charges?

There have been no alternative methods reviewed, however, there is currently a pilot project that is being looked into.

Most campuses are not going to change their system if they have a good system and it is working. OIG interviews people and asks how they spend their time on a project, and if they do not know, they call into question the payroll certification process.

There haven’t been any major issues in the SUNY system. Certification takes place multiple times a year and they are using an after the fact certification. Either someone verifies their own work, or there is an investigator that certifies for them. These people have a pretty good idea of what the people they are certifying for are working on. The assurance factor decreases if someone is certifying for people they don’t have good knowledge on what they are working on.

1. **Administrative & Clerical Salaries**

Since the implementation of UG, have OIG offices notices a shift with respect to administrative costs and clerical salaries?

OIG looks to make sure things are not double billed, as sometimes items are directly charged and included in the F&A costs.

OIG looks at the major project rule, as well as if something is different and unique. OIG also looks at the award files to make sure there are clearly documented notes for certain transactions.

When including something in a budget, do not bury it three layers deep. The item needs to be explicitly stated in the budget, so a reasonable and prudent person can verify the costs.

1. **Allocation of Costs**

What would be considered “undue effort or cost” when determining allocation of costs that benefit two or more projects?

OIG will not spend a lot of time looking into the allocation of costs between projects if the allocation appears reasonable. OIG will look at approvals, invoices and the multiple grant allocations to make sure it is allocated appropriately and not charged multiple times.

OIG will further look into costs that are backlogged at the end of the project. If charges are based on an estimate (budget amount), OIG will ask for an invoice to make sure the charge is accurate.

For items like laptop computers, it is ok to charge a laptop to a project, just make sure it is not being charged to multiple projects, so it is not being paid for multiple times. For upgraded work stations, especially in the last few months of the award period, allocation should be reasonable. If you use a method consistently at your campus, make sure the campus policies and procedures match your allocation approach.

**Federal Audit Issues/Observations**

1. **Common Observations**

What are the common findings or significant compliance risks currently in research higher education?

Administrative costs are gray areas that the OIG comes across frequently. The budget must clearly state who the clerical staff are. Supplies must also be clearly stated. Allocation methods should also be included.

OIG reviews the F&A calculations as well as equipment directly charged to an award to verify that a sponsor is not double charged for the item.

OIG also have noted observations related to the backloading of costs. OIG reviews costs to make sure policies and procedures support the cost on the project, or projects. OIG is looking for consistency and making sure federal requirements are followed.

The OIG also reports on observations related to travel. OIG looks into the necessity of costs associated with a luxury car vs a mid-sized sedan. Alcohol should not be on same receipt as dinner costs, it must be allocated separately. Justification is necessary if someone is staying at hotel for more day than the scheduled conference. If someone cannot attend a scheduled trip and the trip has already been paid for, essentially, you paid for something the program did not benefit from. Depending on the transaction, it may be considered minor and may not end up in the audit report. It will, however, be discussed at the exit conference. Advanced travel funds must be reconciled back to the original advance. Federal guidance and/or campus policy must be adhered to.

Another common observation is unsubstantiated consulting expense.

1. **Procurement**

Has OIG been auditing UG methods of procurement standards established in 200.320?

OIG does audit the UG methods of procurement standards established in 200.320. They review award files to make sure that the appropriate documentation is maintained based upon the method of procurement (micro-purchase, small purchase, competitive proposal, sealed bid, and sole/single source).

(See the RF Procurement policy for details on required documentation.)

1. **University Chargebacks**

When auditing University chargebacks, are there common non-compliance issues that have been identified?

A common issue OIG sees is when chargeback rates are not consistent with UG or campus policy.

Also, OIG stresses consistency in allocating costs incurred; so that each cost is allocated only once and not charged multiple times.

**Best Practice / General Questions**

1. **Consistency**

What control or role does OIG play to ensure UG requirements, cost principles and audit requirements for Federal awards are implemented consistently across agencies?

OIG auditors do not create and develop the Operating Division’s controls. They do not weigh in on the controls the division are developing.

First step is to get an understanding of the operating division and see what their process is to understand risk, i.e., what might have fallen through the cracks. Might need to go back to the operating division to ask additional questions.

1. **Burn Rate**

How important is the burn rate and what are some controls or best practices to ensure it is reasonable?

Make sure there is a solid budget in place. Periodic meetings should be held to assess the budget and work with administrative staff for updates.

OIG might need to go back to the operating division to determine what to do with the results. Whether they can have a no cost extension, or if they need to give the money back.

1. **Operating Procedures**

Does OIG find that many institutions have standard operating procedures that are greater or impose more requirements than the federal minimum?

OIG auditors may also look into RF and campus specific policies during the planning stages and discuss during the entrance conference. If the policies go above and beyond federal guidance, there is no issue. In theory, there is no weakness or impact in the procedure, therefore, there are no recommendations to report.

1. **Pre & Post Award**

What documents are, or should be, shared between Pre and Post award when an award is being established?

Award terms, abstracts, contracts, budgets, budget modifications, key personnel, significant dates for providing information to the sponsor, etc. are all useful information that should be shared between Pre and Post award. Compliance requirements (i.e., key personnel required training) should be reviewed based on the PI’s noted on the abstracts.