



# NCURA

Supporting Research...*together*<sup>™</sup>

# Audits Year in Review

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# Introductions



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# Objectives

-  Understand the key audit issues in award management, including documentation, cost allowability and allocation, adhering to special provisions, and internal control deficiencies.
-  Identify audit pitfalls and identify ways to manage them.
-  Review internal controls and address ways to close gaps in internal controls.
-  Recognize the various roles and responsibilities in an audit.
-  Take away "lessons learned" from federal audits to help your institutions manage the high risk financial issues in award management.

# Poll Question

Have you ever been part of an audit before?

- Yes
- No

# OIG Workplans

# NIH & NSF Work Plan FY2020



[Source: NIH OIG Work Plan Items](#)

NIH OIG

- Duplication of funding
- Vetting peer reviewers
- Peer review process
- Pre-award risk assessment and post-award oversight of grantees
- Risk assessment of HHS closeout process
- Foreign Influence

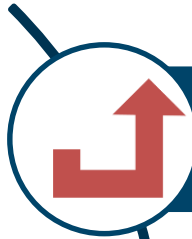


[Source: NSF OIG FY2020 Work Plan](#)

NSF OIG

- Government Owned Property
- EPSCoR Incurred Costs
- Audits of award recipients
- Internal controls
- Accounting systems
- Incurred costs
- Desk audits of smaller entities

# OIG Workplans: Institutional Applicability



• **Identify** key risk areas as determined by OIG



**Evaluate** institutional risks associated with key risk areas



**Determine** how to respond and manage key risks

**Other OIG Workplans:** available at OIG sites or through [oversight.gov](https://www.oversight.gov).



REPORTS

INVESTIGATIONS

DISASTER OVERSIGHT

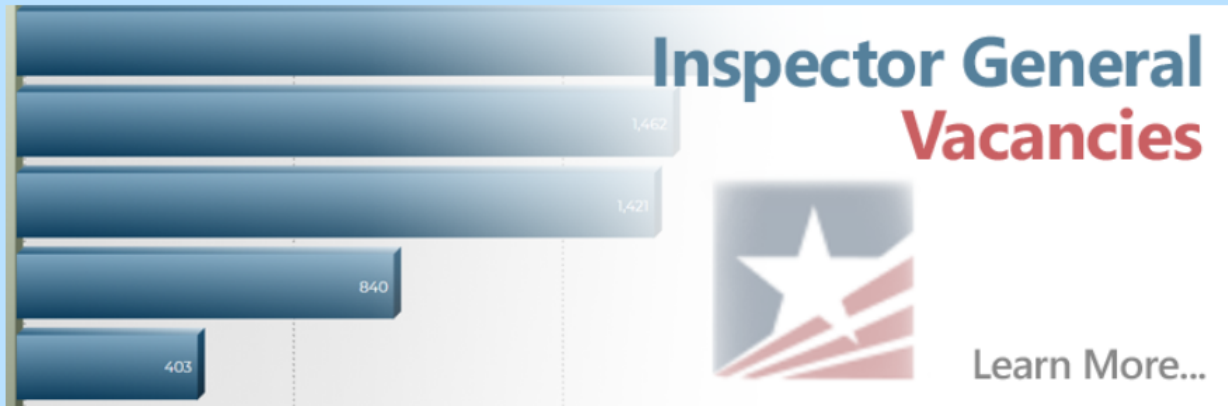
IG VACANCIES

ABOUT

Search Reports...



Advanced Search



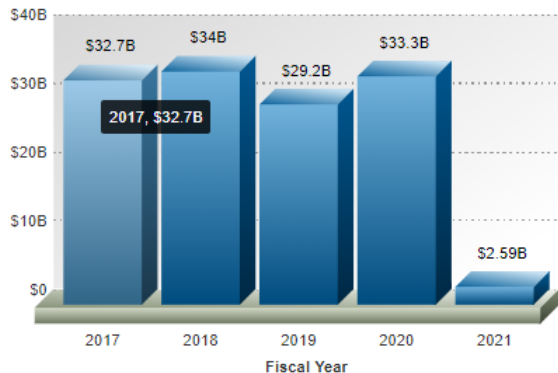
### What is Oversight.gov?

Oversight.gov is a publicly accessible, searchable website containing the latest public reports from Federal Inspectors General who are members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The site is operated and maintained by CIGIE. The reports and information are uploaded to this site by the IGs.



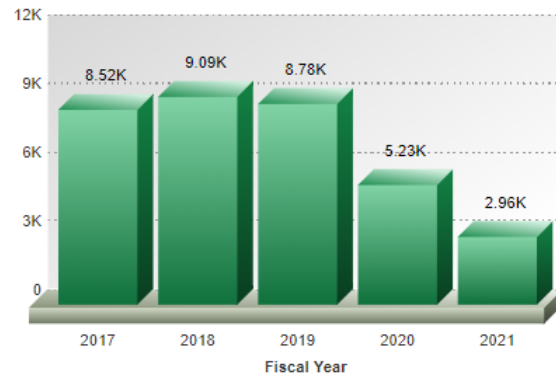
Potential Savings Identified in Reports on this Site



Reports Uploaded to Oversight.gov (19410 total reports)



Number of IG Recommendations in Reports on this Site



# Audit & Enforcement Data 2020

# NSF COVID Audits

Performance Audit of the  
Implementation of OMB  
COVID-19 Flexibilities-  
University of Kentucky

Performance Audit of the  
Implementation of OMB  
COVID-19 Flexibilities-  
University of Alaska Fairbanks

[https://nsf.gov/oig/\\_pdf/21-1-006\\_KYRF\\_COVID\\_flexibilities\\_Redacted\\_Final.pdf](https://nsf.gov/oig/_pdf/21-1-006_KYRF_COVID_flexibilities_Redacted_Final.pdf)

[https://nsf.gov/oig/\\_pdf/21-1-005\\_U\\_Alaska\\_Fairbanks\\_COVID\\_19\\_Flexibilities.pdf](https://nsf.gov/oig/_pdf/21-1-005_U_Alaska_Fairbanks_COVID_19_Flexibilities.pdf)

# COVID – 19 Audits

Institution	Summary of Audit	Recommendations for Institution	COVID Impact
<p><b>University of Kentucky Research Foundation (UKRF)</b></p>	<ul style="list-style-type: none"> <li>- The report highlights that there were no exceptions identified with UKRF's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M20-26.</li> <li>- The report identified concerns about UKRF's compliance with certain Federal and NSF regulations, and NSF award terms and conditions <b>not related to the COVID-19 flexibilities.</b> <ul style="list-style-type: none"> <li>- The auditors questioned \$33,151 of costs claimed by UKRF during the audit period. Specifically, the auditors identified \$33,151 in unallowable materials and supplies expenses.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Direct UKRF to provide documentation supporting that it has repaid or otherwise credited the \$33,151 of questioned materials and supplies costs for which it has agreed to reimburse NSF.</li> <li>- Direct UKRF to implement additional NSF grant close-out procedures that <b>require the Principal Investigator to evaluate whether they should remove any expenses associated with unused materials and supplies</b> from the NSF award.</li> </ul>	<ul style="list-style-type: none"> <li>- Airfare expenses associated with a cancelled flight are not typically allowable on an NSF award.</li> <li>- <b>Cancelled airfare expense is allowable on this award under flexibility</b> seven of OMB Memorandum M-20-17.2</li> <li>- UKRF has a procedure in place to ensure that it either             <ul style="list-style-type: none"> <li>- Uses the travel credit to benefit this NSF award</li> <li>- Removes the credit amount from the award and refunds it to NSF.</li> </ul> </li> </ul>

# COVID – 19 Audits

Institution	Summary of Audit	Recommendations for Institution	COVID Impact
<b>University of Alaska Fairbanks (UAF)</b>	<ul style="list-style-type: none"> <li>- The report highlights that there were no exceptions identified with UAF's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M20-26.</li> <li>- The auditors included <b>4 findings</b> in the report.               <ul style="list-style-type: none"> <li>- Credits not appropriately returned to NSF,</li> <li>- Inappropriately applied indirect costs,</li> <li>- Unallowable expenses,</li> <li>- Incorrect application of proposed indirect cost rates.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Direct UAF to provide additional training and strengthen procedures for making draws within NSF's Award Cash Management Service system to <b>ensure that UAF appropriately incorporates credits when calculating the total amount to draw down or return.</b></li> <li>- Direct UAF to provide additional training and strengthen policy and procedures regarding the types of travel expenses that are allowable and unallowable.</li> <li>- Direct UAF to <b>update its current practices for establishing indirect cost</b> rates to ensure that UAF applies indirect costs using the rate(s) established in the appropriate Negotiated Indirect Cost Rate Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>- UAF used the COVID-19 flexibilities that OMB granted and NSF implemented, as follows:               <ul style="list-style-type: none"> <li>- UAF charged \$155 in expenses that the Principal Investigator (PI) <b>incurred to purchase face masks for team members to wear when traveling and working on grant-related projects</b> in the laboratory.</li> <li>- UAF charged \$160 in <b>conference registration fees that the conference provider did not refund</b> after the conference was cancelled.</li> </ul> </li> </ul>

# Poll Question

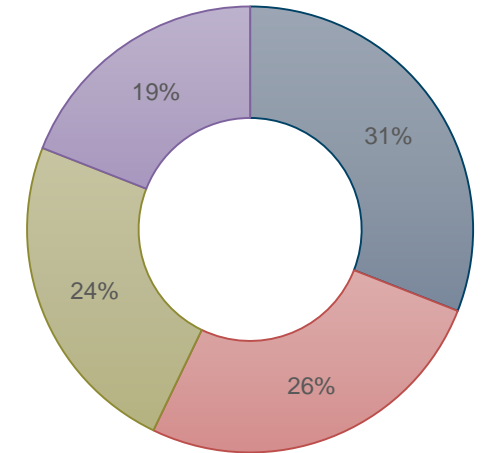
Which audit area are you most concerned about?

- Direct Costs Allowability
- Closeout process
- Foreign Influence
- Indirect Cost Application
- Effort
- COVID Implementation

# Top 4 Audit Issue Categories in 2020<sup>1</sup>

Rank	Categories	Description
1	Allowability	Issues related to allowability of expenditure/costs. Most frequently includes travel, participant support costs, and timing.
2	Policy and Procedure	Issues stemming from policies and procedures not being present or sufficient.
3	Documentation	Failure to support research compliance activity with correct documentation. May include false claims or lack of documentation for expenses.
4	Compensation/Effort	Issues related to salary costs / compensation for effort.

**Audit Issues by Category**

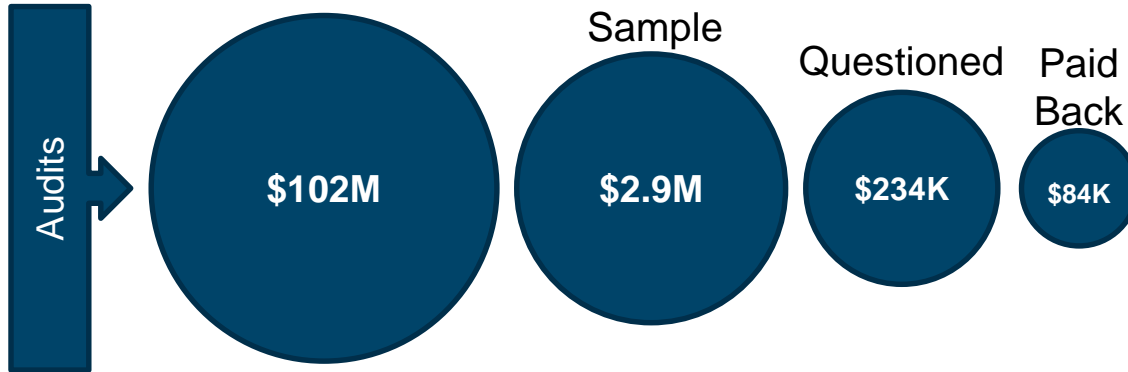


■ Allowability
 ■ Policy and Procedure
 ■ Expenditure/ Cost: Travel
 ■ Compensation/Effort

<sup>1</sup>See Appendix A for more the list of audits from 2020

# Audits and Investigations 2020 Overview

## Incurring Costs

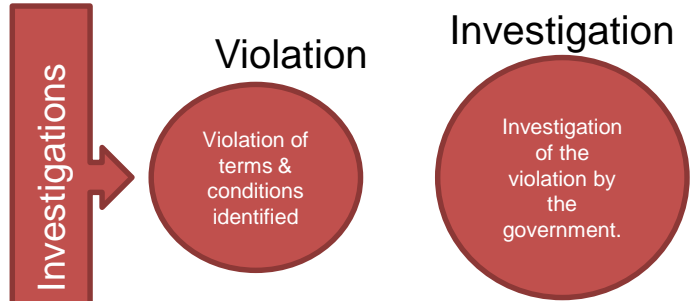


## Audits<sup>1</sup>

In 2020 audit pay backs to the government by institutions averaged \$84K. (See Appendix A)

- The government tests a percentage of the institution's total agency expenditures and then questions specific charges, then they determine an amount that needs to be paid back to the sponsor.

## Violation



## Settlement

## Investigations<sup>2</sup>

In 2020 settlements reached by the government and institutions averaged \$4.2M. (See Appendix B)

- False claims accusations, HIPAA violations, quid tam, and other fraud investigations result in the institution being fined based on percentage of their entire agency portfolio.

<sup>1</sup>See Appendix A for more the list of audits from 2020  
<sup>2</sup>See Appendix B for more the list of investigations from 2020



# Foreign Influence Case Trends

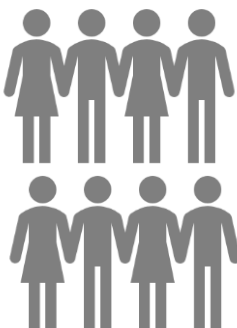


**6 criminal complaints**  
filed by DOJ

**87 research institutions**  
contacted for  
**189 cases**



**455 researchers**  
of possible  
concern



**December 2020:**  
**DHHS OIG issues questionnaire** to all grantees regarding institutional procedures **related to foreign influence risk mitigation**

# Foreign Influence Case Trends



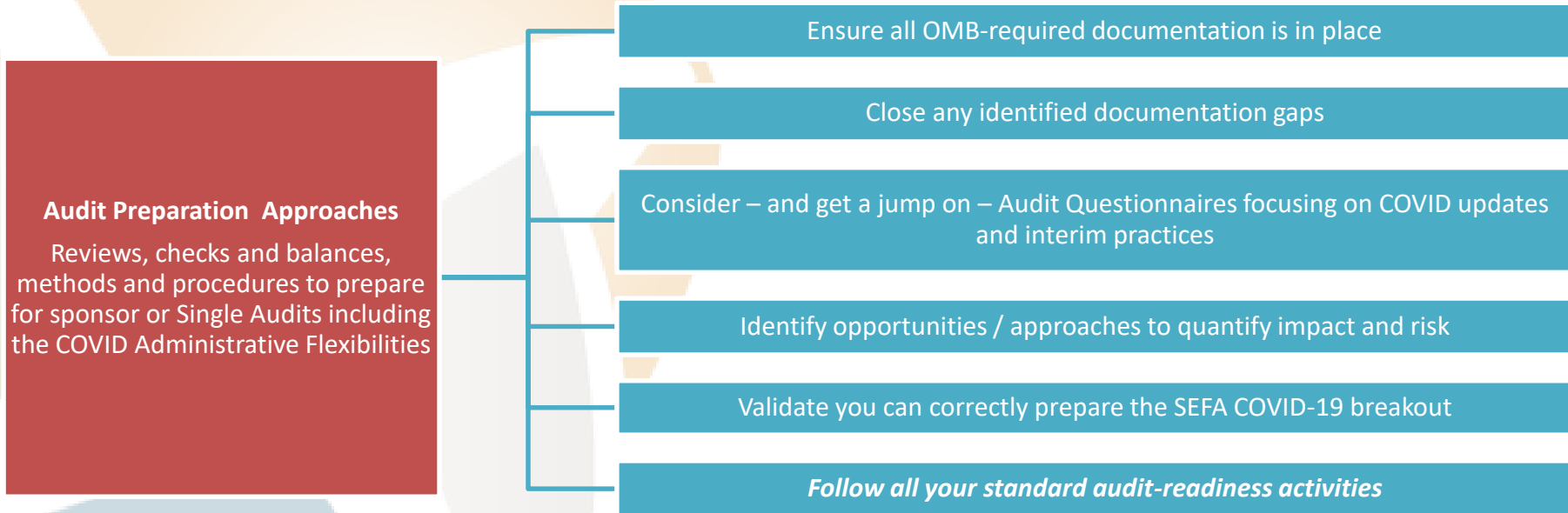
**NSF OIG investigated and recommended sanctions on 16 to 20 cases since 2018 and referred an undisclosed number of criminal and civil cases to DOJ.**

Makeup of Cases
<ul style="list-style-type: none"><li>• All but two involved ties with China</li><li>• A majority of the researchers are U.S. citizens and not ethnically Chinese</li><li>• Some researchers had undisclosed affiliations</li><li>• Some researchers engaged in “double-dipping”</li></ul>

Investigation Outcomes
<ul style="list-style-type: none"><li>• Termination by institution</li><li>• NSF forced institutions to return funds</li><li>• NSF reassigned, suspended, or terminated grants</li><li>• NSF barred researchers from applying for future funding</li></ul>

# A Forecast to the Future

The 2020 Compliance Supplement<sup>1</sup> and Compliance Supplement Addendum<sup>2</sup> provides some guidance on how COVID-19 will impact future Single Audits. The 2021 Compliance Supplement will provide additional guidance.



<sup>1</sup>See Appendix E for more information on the August 2020 Compliance Supplement

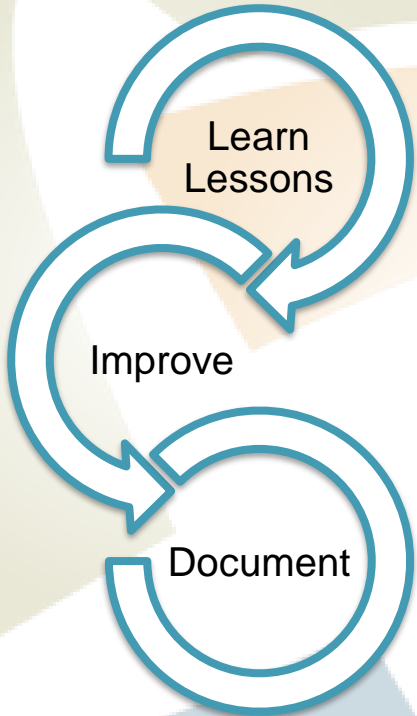
<sup>2</sup>See Appendix F for more information on the December 2020 Compliance Supplement Addendum

# Crystal Ball: What will be in next year's audits?

- Basics of allowability will continue to be a theme.
- Various pandemic laws (CARES, CRSSA, ARP) and the funding therefrom (HEERF, PRF, agency support)
- Foreign activity, foreign activity, and foreign activity
- What do you think?

The past year and the COVID OIG Audits can serve as a learning opportunity:

1. Understand lessons learned - not just as it relates to COVID-19 but the sponsored research response to major operational disruption
2. Make enhancements:
  - Communication approaches
  - Data capture
  - Reporting
3. Document your ‘Emergency Response’



# Questions?

# Appendix A - Audits

Release Date	Institution	Source Link	Incurred Costs	Sample	Questioned	Paid Back
12/17/2020	Texas A+M University	<a href="#">link</a>	\$63,600,000	\$1,500,000	\$137,558	TBD
9/10/2020	University of Wyoming	<a href="#">link</a>	N/A	\$20,776	\$20,776	\$14,264
8/31/2020	Duke University	<a href="#">link</a>	\$117,800,000	\$4,900,000	\$700,000	\$246,635
8/11/2020	Yale University	<a href="#">link</a>	\$96,000,000	\$3,900,000	\$251,973	\$108,144
8/6/2020	Temple University	<a href="#">link</a>	\$38,800,000	\$203,800	\$5,969	\$4,524
7/23/2020	University of Houston	<a href="#">pdf</a>	\$45,000,000	\$2,100,000	\$133,305	\$37,577
7/13/2020	University of North Carolina – Chapel Hill	<a href="#">pdf</a>	\$121,800,000	\$7,000,000	\$744,671	\$175,413
4/24/2020	Johns Hopkins University	<a href="#">pdf</a>	\$116,800,000	\$1,800,000	\$91,048	\$68,984
3/23/2020	University of Connecticut	<a href="#">pdf</a>	\$63,000,000	\$1,700,000	\$75,139	\$39,009
1/10/2020	University of Colorado Boulder	<a href="#">pdf</a>	\$216,500,000	\$1,600,000	\$79,831	\$33,355



# Appendix B - Investigations

Release Date	Institution	Source Link	Total Fine(s) / Cost(s)
9/11/2020	The Scripps Research Institute	<a href="#">link</a>	\$10M
7/29/2020	Tennessee State	<a href="#">link</a>	\$600,000K
6/3/2020	Xavier University	<a href="#">link</a>	\$12M
1/1/2020	University of Rochester Medical Center	<a href="#">link</a>	\$3M
5/11/2020	Pennsylvania State University	<a href="#">link</a>	\$151,000
4/30/2020	Harvard University	<a href="#">link</a>	\$1.3M
5/11/2020	Emory University	<a href="#">link</a>	\$35K (Individual)
5/22/2020	University of San Francisco	<a href="#">link</a>	\$2.5M

# Appendix C – OMB Memos

OMB released a series of memos providing guidance on actions the agency took to relieve short term administrative, financial management and audit requirements under 2 CFR 200, Uniform Administrative Requirements, Cost principles and Audit Requirements for Federal Awards (*Uniform Guidance*).

**M-20-11: March 9, 2020:** First memo identifying the sponsor actions available to relieve short term burden for federal programs supporting research and response to COVID-19.

**M-20-17: March 19, 2020:** Expands scope providing flexibility to grant recipients affected by loss of operational capacity and increased costs.

**M-20-20: April 9, 2020:** Allows federal award recipients to repurpose funding in support of COVID-19 response. Example: donating personal protective equipment (PPE), medical devices, medicines, etc.

**M-20-21: April 10, 2020.** Guidance on implementation of supplemental funding provided for COVID-19 response.

**M-20-26: June 18, 2020.** Clarifies the expiration of most flexibilities and extension of specific flexibilities, such as administrative relief for recipients of federal financial assistance impacted by COVID-19 due to operational loss.

**M-21-20: March 19, 2021.** Extends 12 of the OMB flexibilities previously granted in M-20-17 and specifically grants a 12-month extension for biennial physical inventory of equipment purchased under Federal awards, and a six-month extension for certain single audits.

# Appendix D – OMB Flexibility Examples

Single Audit extensions

Extension of Indirect Cost Rates

Abbreviated non-competitive continuation requests

Prior approval waiver

No Cost Extensions on expiring awards

Salary and other project activities expenditures on federal awards

Financial and programmatic report submission

Allowable PPE donations

# Appendix E – Compliance Supplement – August 2020

Topic Area	Supplement Recap
Identification of COVID-19 Awards	<ul style="list-style-type: none"> <li>Recipients of COVID-19 awards must be able to identify funding / expenditures</li> <li>Unique CFDA numbers, OMB list of programs</li> </ul>
Cluster of Programs	<ul style="list-style-type: none"> <li>No new cluster of programs</li> </ul>
Identification of COVID-19 Awards on SEFA	<ul style="list-style-type: none"> <li>Non-federal entities should separately identify COVID-19 expenditures on SEFA</li> </ul>
COVID-19 Memoranda	<ul style="list-style-type: none"> <li>OMB M-20-11</li> <li>OMB M-20-17</li> <li>OMB M-20-20</li> <li>OMB M-20-26</li> </ul>
Subrecipient Notification	<ul style="list-style-type: none"> <li>Pass through entities must separately identify each subrecipient receiving COVID-19 expenditures</li> <li>Subrecipients must also account for COVID-19 funding separately from regular funds</li> </ul>
Identification of COVID-19 related award in audit findings	<ul style="list-style-type: none"> <li>Auditors should note audit findings applicable to COVID-19 new or existing programs</li> </ul>

# Appendix F – Compliance Supplement Addendum

In December 2020, OMB released the Compliance Supplement Addendum. This provides expanded guidance on the approach to audits of programs meeting the following criteria:

**COVID-19  
related Funding  
Subject to  
Single Audit**

**Fiscal Years  
beginning after  
June 30, 2019**

# Appendix F – Compliance Supplement Addendum

Key elements of the December 2020 Compliance Supplement addendum:

Topic Area	Supplement Recap
Federal Funding Accountability and Transparency Act (FFATA) Testing Requirements	<ul style="list-style-type: none"> <li>Auditors are required to include FFATA subaward testing for COVID-19 programs listed in the Supplement Addendum</li> </ul>
Higher Education Emergency Relief Fund (HEERF) Requirements	<ul style="list-style-type: none"> <li>Auditors will sample required financial reports to test if HEERF funds were reported accurately and on time (including requirement to publicly post CARES Act quarterly reporting forms)</li> </ul>
SEFA Reporting	<p>Additional guidance on SEFA preparation:</p> <ul style="list-style-type: none"> <li>Education Stabilization Funds (ESF)- include the alpha character suffix used at the end of CFDA #</li> <li>Provider Relief Fund – do not report until SEFA report submitted in a fiscal year after 12/31/20.</li> <li>Donated PPE- should include fair market value as a standalone footnote accompanying SEFA report and be marked “unaudited”</li> </ul>
Additional Single Audit Due Date	<ul style="list-style-type: none"> <li>Option to extend submission for up to 3 months beyond the normal due date (Later extended to 6 by M-21-20.)</li> </ul>