



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 audits 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.



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Poll Question

Have you ever been part of an audit before?

- Yes
- No




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OIG Workplans

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DHHS & NSF Workplan FY2022



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

DHHS OIG

- COVID 19 Funding
- Data Completeness & Accuracy
- PEPFAR
- NIH and Grantee Compliance With Federal Requirements To Ensure Proper Monitoring and Use of Grant Funds by Selected Grantees and Subgrantees
- Grantee Institutions' Actions To Strengthen Policies in Response to Concerns Regarding Potential Foreign Influence on NIH-Funded Research



[Source: NSF OIG FY2022 Work Plan](#)

NSF OIG

- Awardee Compliance with Harassment Policies
- Mid-Scale Projects
- Audit of Conflicts of Interest for Merit Review Panelists
- Audit of NSF's Oversight of Industry-University Cooperative Research Centers



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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.



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Audit & Enforcement Data 2022


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NSF Promising Practices

- Most common audit findings:
 - Unallowable expenses
 - Inappropriately applied indirect costs
 - Inadequately supported expenses
 - Inappropriately allocated expenses
 - Non-compliance with policies and procedures
- Best practices to mitigate audit risk:
 - Monitor and verify allowability of high-risk expenditures
 - Strengthen controls over IDC application
 - Create and maintain documentation
 - Document and justify allocation methodologies
 - Review and update grant management policies and procedures

[Promising Practices for NSF Award Management](#)



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NSF OIG Semiannual Report to Congress

- Single Audits
 - Reviewed 24 single audit reporting packages
 - Deficiencies in 9 audit reporting packages
 - Incorrect identification of source funds
 - Late submissions
 - CAPS missing
 - Inaccurate identification of prior audit findings
- Questioned costs
 - Sustains \$338,337 of questioned costs

[Semiannual Report to Congress October 1, 2021 to March 31, 2022 \(nsf.gov\)](#)



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Selected Audits

Audit	Summary of Audit	Recommendations for Institution
OIG 21-1-013	<p>The report highlights that there were no exceptions identified with the institution's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26, as detailed in Appendix A. Although the auditors did not identify any exceptions related to the institutions' use of the COVID-19 flexibilities, they identified concerns about their compliance with certain Federal and NSF regulations, NSF award terms and conditions, and organizational policies not related to the COVID-19 flexibilities. The auditors questioned \$48,998 of costs claimed by the institution during the audit period. Specifically, the auditors identified \$47,405 in inappropriate drawdowns associated with expiring appropriations and \$1,593 in credits not appropriately returned. The auditors also identified two compliance-related findings for which there were no questioned costs: institution's incorrect application of proposed indirect cost rates and indirect costs not appropriately applied to Research Experiences for Undergraduates awards.</p>	<ul style="list-style-type: none"> - Implement controls to ensure that the correct IDC rate is applied - Letter of credit accounting controls need to ensure that funds drawn have been expended and are within the period of performance (POP) - Special challenges exist surrounding draw down of expiring appropriations



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Selected Audits

Audit	Summary of Audit	Recommendations for Institution
OIG 22-1-003	<ul style="list-style-type: none"> - The auditors questioned \$226,652 of costs claimed by the institution during the audit period. Specifically, the auditors found \$116,151 of unallowable expenses; \$71,463 of inappropriately allocated expenses; \$21,064 of ACMS drawdowns that exceeded expenses; \$17,492 of inadequately supported expenses; and \$482 of inappropriately applied indirect costs. The auditors also identified three compliance-related findings for which there were no questioned costs: <ul style="list-style-type: none"> - payroll subledger expenses that exceeded general ledger payroll expenses, - inappropriately budgeted participant support costs, and - non-compliance with the institution's policies. 	<ul style="list-style-type: none"> - Update its policies, procedures, and internal controls - Training on University policy requirements - Strengthen controls related to federal charging on grants - Letter of credit accounting controls need to ensure that funds drawn have been expended and are within the allowable cash advance threshold

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Selected Audits

Audit	Summary of Audit	Recommendations for Institution
OIG 21-1-017	<ul style="list-style-type: none"> - The auditors questioned \$155,432 of costs claimed by the institution during the audit period. Specifically, the auditors found \$121,797 of unsupported costs; \$16,885 of inappropriately allocated expenses; \$15,811 of inappropriately treated participant support costs, and \$939 of unsupported ACMS drawdowns. The auditors also identified one internal control finding and made associated recommendations related to improving the information captured in time and effort reports and ensuring the timely certification of these reports. 	<ul style="list-style-type: none"> - Allocate equipment costs in proportion to grant use and benefit - Charge personnel costs to awards based on where effort was allocated - Only charge costs to projects if the project benefited - Use participant support costs according to NSF guidelines and award budget - Letter of credit accounting controls need to ensure that funds drawn have been expended and reconciled to the GL - Ensure that time and effort reports contain the appropriate identifying information

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Selected Audits

Entity & Scope	Summary of Audit	Recommendations	Management Response
Louisiana Legislative Auditor, Financial Audit Services Audit Scope: Single Audit June 30, 2021	<ul style="list-style-type: none"> - The Louisiana Legislative Auditor reported two audit findings for the LSU A&M campus for noncompliance with HEERF program requirements. Specifically: <ul style="list-style-type: none"> - LSU A&M improperly requested and received reimbursement from HEERF for \$40,897 in lost revenue that did not comply with allowable reimbursable sources under HEERF. - LSU A&M did not accurately or timely report \$9.4M in tuition discounts/exemptions and emergency financial aid grants between the Institutional and Student Aid portions of program dollars. - Additionally, a separate biomedical research center component of the LSU System did not design or implement adequate controls to ensure subrecipients obtained audits as required by federal regulations. 	<ul style="list-style-type: none"> - LSU should design and implement controls to ensure it requests reimbursement from HEERF in compliance with federal program requirements. - LSU should strengthen its controls for HEERF reporting to ensure compliance with federal program requirements. - LSU should design and implement controls to ensure the subrecipient has met its required audit requirements and that reviews of subrecipient audit reports are performed timely. 	<ul style="list-style-type: none"> - Policy and procedure will be modified to ensure compliance with Uniform Guidance subrecipient monitoring requirements. - Monitor Federal Audit Clearinghouse (FAC) monthly until they are posted and downloaded. - Document monitoring activity in tracking tool. - Require direct follow-up when audit report is not available in FAC in required timeline. - Implement management plan for subrecipients with material weaknesses in internal control and/or material instances of noncompliance..


 1) [Louisiana Legislative Auditor Management Letter](#)
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Selected Audits: Indirect Cost Rate Setting: Cost Allocation Services (CAS)

Entity & Scope	Summary of Audit	Recommendations	Management Response
HHS OIG Audit Scope - 19 rate negotiations - Non-profit institutions, ranging from small to greater than \$6M - CY 2019	<ul style="list-style-type: none"> - Review identified that 16 of the 19 indirect cost rates audited had 35 instances of noncompliance with Federal regulations or with CAS's policies and procedures. Missing documentation was identified as an issue. - Did not always follow its formal Review Guide. Emphasis on following own internal controls, including detailed steps on two formal checklists. Underscores following defined internal controls - Did not always follow its internal guidance or negotiate rates in a timely manner. - Indirect cost rate proposals included potentially unallowable compensation costs. Question on over the cap compensation in indirect cost negotiations¹. 	<ul style="list-style-type: none"> - CAS should update its Review Guide to include applicable Federal regulations and CAS internal policies and procedures - Provide training to its branch chiefs and negotiators to ensure its indirect cost rate- setting process conforms with Federal regulations - CAS should review its staffing levels and determine whether they are sufficient to meet the agency's objectives - CAS should seek clarification on whether the executive compensation policy complies with Federal law and governmentwide policy 	<ul style="list-style-type: none"> - Has started the process of updating the Review Guide to conform with applicable Federal regulations and its internal policies and procedures - Will update checklists to include all federally required documents, and that it plans to implement a process for ensuring all required forms and signatures are included in the proposal submission - Disagreed with recs regarding CAS reviewing its staffing levels and seeking clarification on the policy of including executive compensation above the Level II statutory cap in the indirect cost pool

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Poll Question

Which audit area are you most concerned about?

- Direct Costs Allowability
- Closeout Process
- Foreign Influence
- Application of Indirect Cost Rates
- Effort

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Foreign Influence Case Trends

Makeup of Cases

- A majority of the researchers are U.S. citizens and not ethnically Chinese
- Some researchers had undisclosed affiliations
- Some researchers engaged in "double-dipping"
- Undisclosed grant support, equity, patents, fCOI)

Investigation Outcomes

- Termination by institution
- Institutions forced to return funds
- Reassigned, suspended, or terminated grants
- Researchers barred from applying for future funding

[NIH Foreign Interference Cases March 2022](#)

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Foreign Influence In Research

Enforcement Activity

EMORY UNIVERSITY - CRIMINAL

- May 2020
- NIH reviewed a faculty member's NIH grant applications and became concerned that he had possible undisclosed foreign research activity
- DOJ investigation found that between 2012-2018 he was employed at two Chinese universities and earned at least \$500,000 in income that he never reported
- He was charged and convicted for filing false tax return. Sentenced to probation and ordered to repay over \$35,000 to IRS.

CLEVELAND CLINIC

- May 2020
- Professor at Cleveland Clinic and Case Western University arrested and charged with making false statements and wire fraud related to NIH funding received under false pretenses. In tandem with his Federally funded research program, the professor served as Dean of the College of Life Sciences and Technology at a University in Wuhan, China and hid his participation in China's Thousand Talent's Program.

WEST VIRGINIA UNIVERSITY

- August 2020
- A WVU faculty member was sentenced to prison for "federal program fraud" and ordered to pay restitution due to his undisclosed participation in the Chinese government's 1000 Talents Program.

THE OHIO STATE UNIVERSITY - CRIMINAL

- November 2020
- An OSU faculty member pled guilty to making false and misleading statements in NIH grant applications, seeking to conceal participation in Chinese talent programs and collaboration with a Chinese state-controlled university, resulting in using US research to benefit the PRC.

HARVARD UNIVERSITY - CRIMINAL

- January 2020-December 2021
- The chair of university's chemistry department allegedly lied about contacts with a Chinese state-run initiative that seeks to draw foreign-educated talent. The chair was arrested and criminally charged for making a false statement to federal authorities about his financial relationship with the Chinese government, and his participation in a program to attract foreign-educated scientists to China.
- In December 2021, the Investigator was found guilty of tax evasion and perjury.

VAN ANDEL RESEARCH INSTITUTE

- December 2019 and September 2021
- 2019: Accused of violating the False Claims Act by submitting federal grant applications and progress reports to NIH in which VARI failed to disclose Chinese government funding, settlement reached with the DOJ for \$5.5M.
- 2021: VARI agreed to pay \$1.1 million to resolve allegations that it violated the False Claims Act by failing to disclose a foreign component of an NIH award and by failing to disclose foreign research support for two VARI researchers who served as principal investigators on NIH awards.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

- January 2021-March 2022
- An MIT faculty member was arrested and charged with wire fraud, failing to file a foreign bank account, and making false statements in a tax return.
- Failed to disclose participation in two foreign talent programs; received \$29 million dollars in foreign funding - \$19 million from PRC.
- DOJ dropped charges on 1/20/22

SOUTHERN ILLINOIS UNIVERSITY - CARBONDALE

- April 2021
- SIUC faculty member charged with wire fraud and making a false statement.
- Alleged to have fraudulently obtained \$151,000 in federal grant money from the NSF by concealing support he was receiving from the Chinese government and a Chinese university.

UNIVERSITY OF KANSAS

- April 2002
- Faculty member convicted of wire fraud and false statements
- Accepted full time position at a Chinese University, failed to notify KU or receive approval



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A Forecast to the Future

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The 2022 Compliance Supplement is available on the [OMB website](#) some.

Audit Preparation Approaches
Reviews, checks and balances, methods and procedures to prepare for sponsor or Single Audits including the COVID Administrative Flexibilities

- Ensure all OMB-required documentation is in place
- Close any identified documentation gaps
- Consider – and get a jump on – Audit Questionnaires focusing on COVID updates and interim practices
- Identify opportunities / approaches to quantify impact and risk
- Validate you can correctly prepare the SEFA COVID-19 breakout
- Follow all your standard audit-readiness activities


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

- [Build America, Buy America](#)
- OTA Awards: UG doesn't apply, new rules, new controls!
 - [ARPA-H](#)
 - [NSF New Directorate?](#)
- Procurement: small business quotes for minority, women owned and small businesses above the SAT for NSF
- Research Security
 - Foreign Influence concerns not going away
- What do you think?

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Learn

Risk Assess

Implement

Document

The past year and the audits, investigations and self disclosures can serve as a learning opportunity:

1. Understand lessons learned
2. Assess the risks they present to your institution
3. Implement changes
3. Document your operational and compliance changes

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Questions?




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Appendix A - Audits

Release Date	Institution	Source Link	Questioned Costs
1-Jun-22	University of Maine	Performance Audit of Incurred Costs – University of Maine	\$ 0
6-May-22	University of Idaho	Performance Audit of Incurred Costs – University of Idaho	\$35,316
15-Apr-22	UC Merced	Performance Audit of Incurred Costs – University of California, Merced	\$226,652
24-Feb-22	MIT	Audit of Graduate Research Fellowship Program - Massachusetts Institute of Technology	\$0
9-Dec-21	University of Texas, Dallas	Performance Audit of Incurred Costs – University of Texas at Dallas	\$249,210
15-Oct-21	URI, EPSCOR	Performance Audit of Incurred Costs– University of Rhode Island EPSCoR Awards	\$627,748
29-Sep-21	UCSF	Performance Audit of Incurred Costs – University of California, San Francisco	\$136,810
30-Aug-21	University of Pittsburgh	Performance Audit of Incurred Costs – University of Pittsburgh	\$106,659
2-Aug-21	University of Michigan	Performance Audit of the Implementation of OMB COVID-19 Flexibilities – University of Michigan	\$11,499
20-Jul-21	Tennessee State University	Performance Audit of Incurred Costs – Tennessee State University	\$155,432
29-Jun-21	University of South Carolina	Performance Audit of Incurred Costs – University of South Carolina	\$140,360


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Appendix B - Investigations

Release Date	Institution	Source Link	Total Fine(s) / Cost(s)
3/28/2022	Yale University	link	\$40M
10/12/2021	University of Washington	link	\$800K
8/6/2021	Mass General Hospital (former scientist)	link	\$215K (Individual)
2/2/2021	Princeton University	link	\$54K
10/6/2020	Stony Brook University (former faculty)	link	\$225K (Individual)
9/11/2020	The Scripps Research Institute	link	\$10M
7/29/2020	Tennessee State	link	\$600K
6/30/2020	University of Virginia	link	\$1M
6/3/2020	Xavier University	link	\$12M
1/1/2020	University of Rochester Medical Center	link	\$3M
5/11/2020	Pennsylvania State University	link	\$151,000
4/30/2020	Harvard University	link	\$1.3M
5/11/2020	Emory University	link	\$35K (Individual)
5/22/2020	University of San Francisco	link	\$2.5M

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