Session Agenda

• Session Overview
• What is an Audit?
  – Who Conducts Financial Audits?
  – Audit Process
  – What is Expected?
  – Recommendations
• Best Practices for Audit Preparation
• Questions
Session Overview

- The focus of this session will be on Financial Audits by External Sponsors.
- At Duke, Internal Audits/Evaluations are conducted by:
  - Office of Internal Audits
  - School of Medicine Compliance Office

What is an Audit?

- **Purpose**
  To obtain a reasonable assurance that the Institution’s internal controls provide for the appropriate use and accountability of the Sponsor’s funds

- **Controls**
  - OMB Circulars
  - Sponsor’s Guidelines
  - Award Terms and Conditions
  - Duke’s General Accounting Procedures (GAPs)

- **Supporting Documentation**
Who Conducts Financial Audits?

- OMB Circular A-133
  - KPMG: Federal funds, Annually
- Process or System Audits
  - OIG: Administrative and Clerical Expenses
- Project Audits
  - American Heart Association
  - NCDHHS
  - Department of Defense

Audit Process

- Population
- Sample
- Supporting Documentation
- Auditor’s Review
- Audit Report
- Response to Audit Findings
  - Specific Expenses
  - Extrapolation
What is expected?

• **Compliance**
  – Sponsor’s terms and conditions
  – Duke University’s GAPs

• **Supporting Documentation**
  – Readily available for review
  – Demonstrates compliance
    • Allowable
    • Reasonable
    • Approvals

What is expected? (continued)

**Salaries and Wages**

**Documentation**
1. Payroll Report
2. iForm
3. Salary
4. Certified Effort Report
   a. Exempt – ECRT
   b. Bi-Weekly – Electronic Time Card

**Review**
– Was the iForm appropriately approved?
  • Position in Approved Budget
  • CAS form (Administrative & Clerical)
  • Within Period of Performance
  • Untimely Justification
  • Workflow
– Was the pay calculated correctly?
– Was the **certified effort** consistent with the proposed effort?
What is expected? (continued)

Fringe Benefits

Documentation
1. Salary Documentation
2. DHHS Negotiated Agreement
3. Institutional Notice of Fringe Rates

Review
– Were fringes allowable?
  • Federally funded projects – NO 610100 charges
  • Not allowable on NIH NRSA awards
– Were the fringes calculated correctly?

What is expected? (continued)

Consultants

Documentation
1. Independent Contractor Checklist (ICC)
2. Accounts Payable Check Request OR
3. Outside Services Agreement (OSA)
   a. Requisition
   b. Purchase Order
4. Invoice
5. Receipts
6. Letter of Agreement

Review
– Consultant or employee?
– Was an ICC required?
– Was the appropriate form used?
– Were forms appropriately approved?
– Was expense allowable?
Trainee Expenses

Documentation
1. NIH Appointment Form – stipend & tuition
2. Non Compensatory Form – stipend
3. Award Letter – non NIH stipend & tuition

Review
– Was expense approved in budget?
– Was stipend within established limits?
– Was tuition remission appropriate?

Travel

Documentation
1. Travel Reimbursement Form
2. Receipts

Review
– Was travel approved in budget?
– Was traveler exerting effort on project?
– Were expenses allowable/reasonable?
What is expected? (continued)

Equipment – Capital

Documentation
1. Three Quotes or Sole Source Justification
2. Requisition
3. Purchase Order
4. Shared Use Screening Form (federal only)
5. OSP Approval (except 36x or 39x)
6. Rebudget Approval
7. Vendor Invoice

Review
– Was equipment approved in budget?
– Were appropriate forms and approvals provided?

What is expected? (continued)

Experimental Subject

Documentation
1. Experimental Subject Form
2. Expense Detail

Review
– Was expense in approved budget?
– Was IRB approval required?
Subcontracts

Documentation
1. Subcontract Award
2. Invoice
3. Subcontractor’s OMB Circular A-133 Audit Report

Review
– Was subcontract in approved budget?
– Was invoice in accordance with subcontract award?
– Was Audit Report acceptable?

• Supplies and Materials
• Patient Care Costs
• Other Costs
Documentation

1. Requisition
   a. Approved Requisition
   b. Purchase Order
   c. Invoice
2. Corporate Card
   a. Departmental approval
   b. Receipt
3. A/P Check Request
   a. Approved Form
   b. Vendor Invoice
4. Miscellaneous Reimbursement Form
   a. Approved Form
   b. Receipt
5. Journal voucher
   a. Internal Requisition (IR)
   b. Non-Salary Cost Transfer Tool

Review

- Was expense in approved budget?
- Did documentation provide sufficient detail to determine allowability?

Recommendations

- Reconcile financial records monthly.
- Use the tools provided by Duke.
  - GAPs
  - SPCAS
  - SPREVWGL
  - Cost Transfer Tool ZF418
FINAL WORDS

CONTACT

OSP IMMEDIATELY!

Remember! One audit can affect the whole institution!

Best Practices for Audit Preparation

Help! We’re being audited!

© Scott Adams, Inc./Dist. by UFS, Inc.
Be Prepared: The Motto of the Boy Scouts of America*
- Practice ongoing monitoring by using available reporting tools.
- Periodically review departmental SOPs to confirm they are current.
- Make sure your intranet site is updated.
- Develop your own internal departmental audit and conduct internal audits regularly.
- Consider who (PIs/admins) and what (cost transfers, reconciliations, processes) are problematic and focus on these known problems.

*BE PREPARED is a registered trademark of the Boy Scouts of America.

RECONCILE! RECONCILE! RECONCILE!
- The lack of reconciliations is a major reason for untimely cost transfers.
- The absence of reconciliations is a major reason for audit findings.
- Make sure your department’s sponsored projects are being reconciled monthly.
- The auditors will know if your projects are not reconciled.
Best Practices for Audit Preparation (continued)

If you have been notified...
(Internal Audits)

• Find out if the audit is routine or is a “for cause” audit.
• Investigate similar audits in other departments. Find out what were the common findings and how did others respond.
• Find out what is on the Institution heat map of risks and how other departments are reacting.
• Meet with staff and assign different modules to team members.

Best Practices for Audit Preparation (continued)

If you have been notified...
(Internal Audits)

• Make sure your responses are concise, direct, and truthful.
• Ask for clarification if you do not understand a question.
• Don’t guess. If you don’t know an answer, say so.
• Keep in mind that external auditors can request to review internal audits.
If you have been notified...
(External Audits)

- Do not respond directly to any requests from outside auditors.
- Contact appropriate Duke personnel.
  - OSP [Mary Johnson and OSP email (sponsoredprograms@duke.edu)]
  - Department Chair
  - Business Manager
  - PI

Summary

- Audit preparation takes place through the entire life of the project.
- Preparation consists of
  - Managing the project.
  - Reviewing project accounts.
  - Becoming familiar with sponsor requirements.
  - Adhering to Duke policy.
Questions?