

# Welcome to the Tri-University Research Administration Conference.

Your session will begin shortly. While you wait, please review the following reminders:

## Zoom Troubleshooting

### Issues with Audio

Verify that your microphone and speakers are set to the appropriate device.

Turn off headset/computer speakers and call in by phone for audio.

### General Issues

Log off and log back in using SSO.

### Technical Support

Call 480-965-9065 Ext 1.

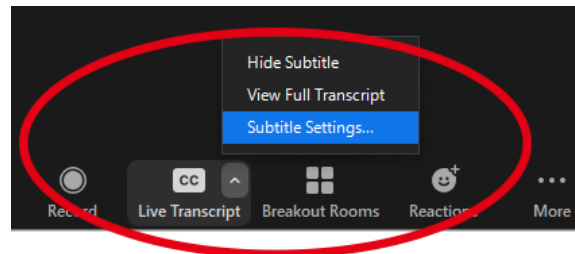
## About this Session

### Recording

Today's session is being recorded and will be made available for later viewing

### Closed Captioning

The Closed Caption/Live Transcript feature has been enabled. You can show/hide the CC via your meetings controls located at the bottom of your screen.



## We'd Love Your Feedback!

At the end of this session, you will receive a Qualtrics survey link. Please take 2-3 minutes to complete the survey. Your feedback is important for continuous improvement of the Tri-University Research Administration Conference (TURAC).

# Land Acknowledgement

The **Arizona State University** (ASU) acknowledges the twenty-three Native Nations that have inhabited this land for centuries. Arizona State University's four campuses are located in the Salt River Valley on ancestral territories of Indigenous peoples, including the Akimel O'odham (Pima) and Pee Posh (Maricopa) Indian Communities, whose care and keeping of these lands allows us to be here today. ASU acknowledges the sovereignty of these nations and seeks to foster an environment of success and possibility for Native American students and patrons. We are advocates for the incorporation of Indigenous knowledge systems and research methodologies.

**Northern Arizona University** sits at the base of the San Francisco Peaks, on homelands sacred to Native Americans throughout the region. We honor their past, present, and future generations, who have lived here for millennia and will forever call this place home.

We respectfully acknowledge the **University of Arizona** is on the land and territories of Indigenous peoples. Today, Arizona is home to 22 federally recognized tribes, with Tucson being home to the O'odham and the Yaqui. Committed to diversity and inclusion, the University strives to build sustainable relationships with sovereign Native Nations and Indigenous communities through education offerings, partnerships, and community service.



# Audit Readiness with ASU's Fiscal Oversight

Sarah Kern and Samantha Munguia

# Presenters



Sarah Kern  
Assistant Director of Fiscal Oversight  
Knowledge Enterprise  
Arizona State University



Samantha Munguia  
Assistant Director of Research Advancement  
W. P. Carey School of Business  
Arizona State University

# Determinants of Allowability

All expenses that post to sponsored projects should conform to determinants of allowability. Per Uniform Guidance § 200.403:

- a) **REASONABLE** - Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) **CONFORMS TO LIMITATIONS** - Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) **CONSISTENT** - Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- d) **CONSISTENT** - Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

# Determinants of Allowability

All expenses that post to sponsored projects should conform to determinants of allowability. Per Uniform Guidance § 200.403:

- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306(b).
- g) **DOCUMENTED** - Be adequately documented. See also §§ 200.300 through 200.309 of this part.
- h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

# Prudent Person Test

- A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

# Audit Readiness

- Having strong and mature internal controls, operating procedures and policies in place in support of research administration operations.
- Having strong systems in place will ensure success in the event of an audit (internal, external, planned or unplanned).
- For sponsored projects, documentation is the key to audit readiness:

*Documentation should speak for itself. Documentation tells the story of what transpired during a project period. When a project ends, the file should stand on its own. There should be no need for any additional explanation of any transaction or event beyond what is already on file as part of the transaction.*



## Sample Audit Findings

- The National Science Foundation Office of the Inspector General publishes summary reports of Performance Audit of Incurred Costs:

<https://oig.nsf.gov/reports-publications/reports>

# Sample Audit Findings

- Common Audit Finding Areas:
  - Inappropriately Allocated Expenses
  - **Inadequately Supported Expenses (From 8 sample reports, over 60% of findings in this category)**
  - Unallowable Expenses
  - Non-Compliance with Federal Requirements for Specialized Service Facilities
  - Non-Compliance with Institutional Policy
  - Purchases Received Near or After the Award Expiration

# Sample Audit Findings

- Finding:
- In January 2021, grantee charged NSF Award for \$3,322 in publication costs, which represented 100 percent of the costs grantee incurred to publish a research article that acknowledged nine funding sources as having contributed to the published research.

# Sample Audit Findings

- Recommendations:
- Have transaction processor/approver request screenshot of the publication's acknowledgment section to determine proper allocability to the project (i.e. if multiple awards are acknowledged, the expense cannot be expensed 100% to any single award).
- Updates to purchasing request form to include PI certification stating that publication only benefits one project.
- Available training: [Allocation Methodologies & Benefit to the Project](#)

# Sample Audit Findings

- Finding:
- In May 2020, grantee charged NSF Award No. for \$3,807 in salary expenses incurred to pay a Research Associate Professor. Although the salary expenses appear to have benefitted the award charged, the employee's compensation rate fluctuated based on the nature and type of work performed and was not based on an IBS rate.


# Sample Audit Findings

- Recommendation:
- PI and research administration staff training that highlights that grant funds cannot be use to temporarily inflate employee institutional base salary.
- Send periodic reminders at key dates including beginning of project, start of fiscal year, etc.
- Institute a payroll verification form that includes employees institutional base salary, effective date of rate and maximum compensation allowed to be endorsed by RA/HR.

# Sample Audit Findings

- Finding:
- In November 2019, grantee charged NSF Award for \$227 in costs incurred to purchase gift cards that grantee did not use to benefit the award. In March 2020, grantee charged NSF Award for \$2,174 in costs incurred to purchase gift cards that grantee did not use to benefit the award.

# Sample Audit Findings

- Recommendation:
  - Distinguish between “planned” benefit to the project and “actual” benefit to the project.
  - While the gift cards were planned to benefit the project, if they were never actually used they never transitioned to actually benefit the project and thus become unallowable.
  - Any purchases that did not transition to “actual” benefit should be transferred to non sponsored funding or another sponsored project that can make use of them during the approved POP.
  - Verification of gift card usage should be completed at award close out.
- 



# Sample Audit Findings

- Finding:
- In August 2018, grantee charged NSF Award for \$720 in expenses incurred for a refundable damage deposit that travelers paid to a lodging provider while conducting fieldwork in the . Although the travelers completed their fieldwork, grantee did not provide documentation to support that it returned the deposit to NSF.

# Sample Audit Findings

- Recommendation:
- Again, must distinguish between “planned” benefit to the project and “actual” benefit to the project.
- Any purchases that did not transition to “actual” benefit should be transferred to non sponsored funding.
- Verification of temporary deposits related to travel should be completed upon completion of travel.
- Similar to travel credits due to cancel travel plans.

# Sample Audit Findings

- Finding:
- Apple AirPods – \$235 on NSF Award for Apple AirPods. Per grantee, the AirPods were useful for listening to webinars, the knowledge of which was utilized in the NSF project. However, the AirPods were not used exclusively on the NSF award. NSF We questioned the purchase of Apple AirPods, as it was not prudent, necessary, allocable, or reasonable.

# Sample Audit Findings

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# Sample Audit Findings

- Recommendation:
- Be mindful about technology purchases and actual need.
- Strong justifications – show that lack of access to the item can disrupt the execution of the project (medical factors, change in work space/arrangements)
- If item is not used solely for project, implement a reasonable allocation methodology.

# Sample Audit Findings

- Finding:
- The Principal Investigator (PI) of NSF Award did not submit all of the required project reports by the due dates set by NSF. Specifically, the PI did not submit two of the required project reports (i.e., the annual report for the period from August 1, 2019, to July 31, 2020, and the annual report for the period from August 1, 2020, to July 31, 2021) until after NSF requested the information as part of their audit testing.

# Sample Audit Findings

- Recommendation:
- Establish departmental process to check for programmatic reporting compliance.

# Sample Audit Findings

- Finding:
- Grantee used \$54,492 of participant support funding awarded on one NSF award to cover nonparticipant expenses, which is not allowable without prior NSF approval per the NSF PAPPG. Funds were used to cover faculty summer salaries, employee benefits, overhead, and other non-participant-related expenses.



# Sample Audit Findings

- Recommendations:

- PI/RA staff training regarding proper method of requesting prior approval.
- PI/RA staff training regarding restricted budget categories.
- Send periodic reminders about prior approval processes at key times (i.e. start of project, start of program year, etc)
- PI/RA staff training on the definition of participant support.
- Update purchasing forms to include 1) definition of participant support and 2) certification by PI ensuring purchase meets the definition

# Sample Audit Findings

- Finding:
- In June 2019, grantee used \$32,134 in participant support costs awarded under NSF Award No. XXXX to host an International Network-of-Networks (iN2N) conference during the Research Data Alliance's (RDA's) 13th Plenary Event to cover housing, meal, and indirect expenses incurred when hosting non-iN2N award sessions at the RDA event. Although RPI provided an e-mail from an NSF Program Director approving the Principal Investigator's (PI's) request to use NSF Award No. XXXX funds to support the non-iN2N RDA conference expenses, these costs are not allowable because the PI's formal request submitted via NSF's Fastlane system to re-budget the participant support costs was rejected by the Grants Officer.

# Sample Audit Findings

- Recommendations:
- PI/RA staff training regarding proper method of requesting prior approval as well as understanding the roles of sponsor contacts (Program Officer vs Grants Officer)
- Send periodic reminders about prior approval processes at key times (i.e. start of project, start of program year, etc)
- Include official sponsor notification with transaction backup documentation.

# Sample Audit Findings


- Finding:

**Table 1. Purchases Received Near or After the Award Expiration**

Description	Award Number	Questioned Invoice	Questioned F&A	Questioned Total	Days Remaining	WVURC Agreed to Reimburse
Computer	██████████	\$ 3,986	\$ 1,953	\$ 5,939	32	\$ 5,939
Computer	██████████	2,909	1,455	4,364	4	4,364
Various Supplies	██████████	2,335	1,086	3,421	12	3,421
Stock Room Charges	██████████	958	479	1,437	2	1,437
Apple iPad and Warranty	██████████	688	344	1,032	(7)	1,032
Filastruder	██████████	569	284	853	0	853
Conference Registration	██████████	195	94	289	(103)	289
<b>Total</b>		<b>\$ 11,640</b>	<b>\$ 5,695</b>	<b>\$ 17,335</b>		<b>\$ 17,335</b>

*Source:* Auditor analysis of questioned transactions

# Sample Audit Findings

- Recommendations:
  - Make technology purchases early in the project, no later than the start of the last year of the project.
  - Make sure technology purchases are directly benefiting the project beyond basic tasks such as checking email.
  - Apply reasonable allocation methodologies.
  - Justification and backup documentation should be strong and tied to project deliverables.
- 

# Sample Audit Findings

- Common Travel Findings:
- PI travel to a conference to present findings on a different award.
- Unallowable business class upgrades.
- University employee travel costs coded as participant support.
- Charging travel costs (including airfare, lodging, etc) when project personnel were not in travel status.

# Sample Audit Findings

- Common Travel Recommendations:
  - Back to Basics – Remember the determinants of allowability.
  - “Planned” vs “Actual” Benefit
  - PI/Project Personnel salary allocation during time of travel
  - Travel during period of performance (must return before end of the project)
  - If giving a talk or poster, which projects are being acknowledged?
  - Documenting fly America exceptions and any other exceptions to policy.

A photograph of three people in a modern, dimly lit office or laboratory setting. On the left, an older man with grey hair and a beard, wearing a dark sweater, is leaning over a desk. In the center, a woman with blonde hair tied back, wearing a white lab coat and a blue lanyard, is looking down at a transparent, rectangular device on the desk. On the right, a younger man with glasses, wearing a blue button-down shirt and khaki pants, is also looking at the device. The device appears to be a complex piece of hardware, possibly a microchip or sensor, housed in a clear plastic casing. In the background, there are computer monitors displaying data, a desk lamp, and office furniture. The overall atmosphere is professional and focused.

# Welcome to the Arena: Responding to an Audit



# Initial Contact

- Determine Type of Request
  - Formal Audit
  - Desk Review
  - Programmatic and/or Financial
  - Monitoring OR Investigative
- Begin Communication
  - Notice is often sent directly to PI/dept staff
  - Forward immediately to central audit manager who will acknowledge receipt
  - Request clarification
  - *Timelines are always negotiable!*

# Preparing Documentation

- The central audit manager identifies who will pull the requested samples
  - Based on which area is being sampled
- Review the pulled documentation closely
  - Were policies followed?
  - Does it clearly support the sample?
    - If you can't understand the backup, neither will your auditor
- Rework of existing documentation should be minimized
  - Pause if you find yourself attempting to prepare a new spreadsheet
- Educate from Uniform Guidance
  - Don't assume the type of documentation requested is what is required

# Preparing for a Meeting with an Auditor

- There should always be at least two University representatives on the call/meeting
  - Typically, this will include someone from the unit and someone from central
- Determine who will be the lead speaker
  - Lead speaker is generally the most experienced policy member of the group
  - They will provide initial responses and will be responsible for calling on other attendees to provide additional information
- Review the award's statement of work
- Depending on complexity, coordinate an internal pre-audit meeting to discuss potential risks

# During an Audit Meeting

- Demonstrate confident engagement
  - Make eye-contact
  - Engage in pleasantries: auditors are real people too
  - Keep voice relaxed and in lower register
- Be precise and succinct in your responses
  - The more you talk, the more you risk inviting additional questions. Can cause a perception of trying to compensate for a gap.
  - Your lead representative may at times strategically elaborate on a specific process or policy.
- Make “I’ll Get Back to You” your favorite phrase
  - Accuracy is better than speed
- Confirm action items

# Closing Audits

- Track and follow-up on action items
- Ensure responses are well vetted before submission
  - They represent ASU as a whole
- Make consistent progress in responding to questions
  - To quote Michelle Turner, “Audits are a Marathon, not a Sprint”
- Be engaged, not emotional – audits can sometimes take years to resolve
- Follow-up with the auditor
- Consider lessons learned and engage in process/policy change

# Question Time

*Check out our Audit Readiness tab at*  
<https://researchadmin.asu.edu/financial-accountability/audit-readiness>

Tri-University

# Research Administration Conference



## Thank You!

- Samantha Munguia, ASU
  - Assistant Director of Research Advancement, WPC
- Sarah Kern, ASU
  - Assistant Director of Fiscal Oversight, KE