

NSF Audit

Lessons Learned

1

Tom Wright

Senior Operations Manager, Financial Compliance and Audit

Research Quality Assurance Unit

Sponsored Program Services

Timeline: August 2015

- 6th: OIG notifies Purdue
- 21st: Entrance teleconference
- 28th: Uploaded files to auditor

Timeline: September 2015

- 24th: Additional data request

Timeline: October 2015

- 5th: Uploaded additional data request

Timeline:

October 2015 – February 2016

- NSF changes selection methodology

Timeline: February 2016

- 4th: F&A rates on grants requested
- 29th: Purdue receives transactions and sample questions

Timeline: March 2016

- 1st – 27th: Purdue collects documentation
- 28th: Auditors arrive
- 29th: Internal Control interviews

Timeline: April 2016

➤ 8th: Exit conference held

19 transactions identified
as questionable

Timeline: May 2016

- 13th: Questionable transactions reduced to five
- 24th: Additional documentation submitted bringing questionable transactions to two

Timeline: June 2016

- 6th: Testing of student budgets
- 13th: Audit update conference
Replacement auditors assigned
- 30th: Final documentation of student budgets testing uploaded

Timeline: July 2016

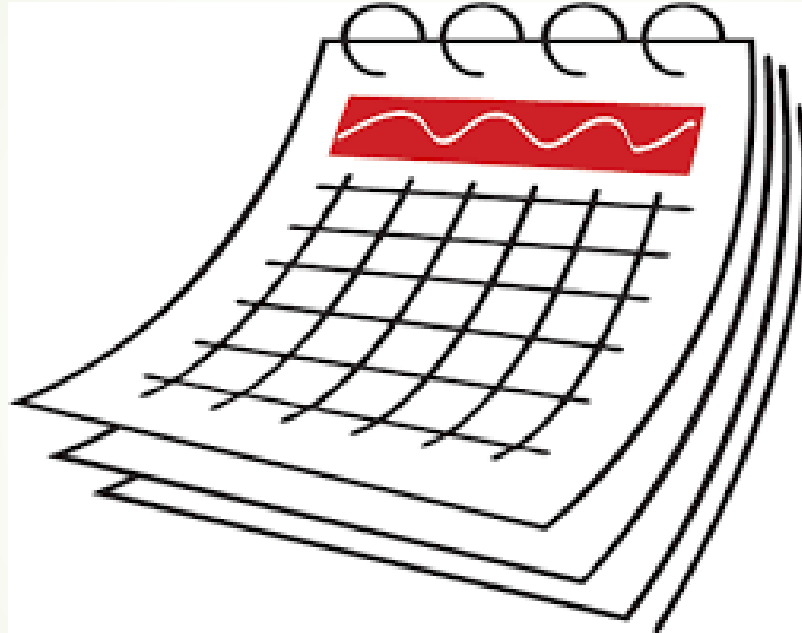
- 5th: Review of all work completed by new auditors. Follow-up on 27 questionable transactions
- 21st: Responses uploaded to auditor

Audit Details



"It went pretty well. The auditor took one look at my files and retired!"

Data Set



April 1, 2012 – March 31, 2015

Data Set

895
grants



Data Set

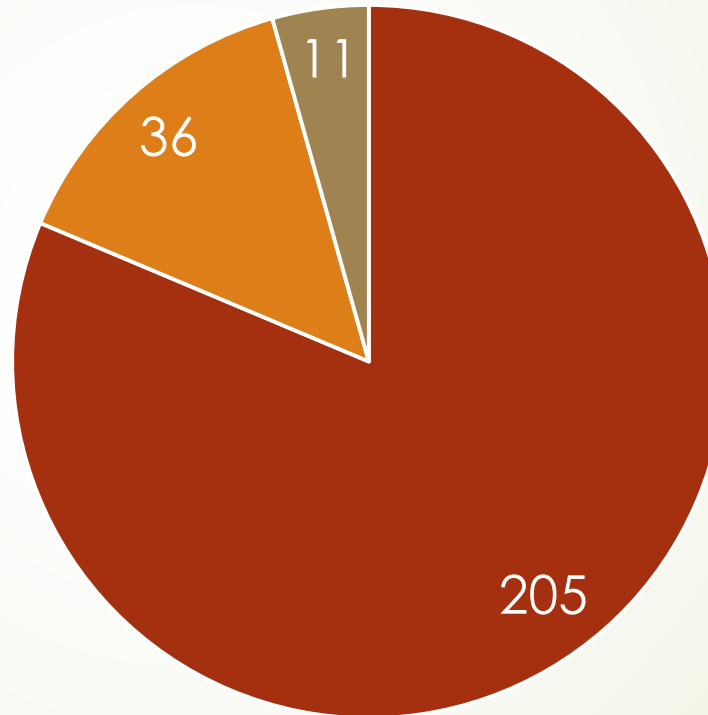
493,646
Transactions

\$239M
Total
Expenditures



Initial Audit Sample

252 Transactions



■ Non Payroll ■ Payroll ■ Cash Mgmt

Non Payroll Transactions

205

- 42 Expenses after award date
- 33 Travel w/ no budget
- 21 A/P – potential equip purch.
- 19 Equip – no budget/end of grant
- 14 Indirect costs
- 14 Secondary Samples
- 14 High risk transactions
- 14 Subcontractor payments
- 13 Cost transfers
- 10 > 90 days prior to eff. date
- 6 Participant Support
- 5 Adjust. close or after exp. date

Payroll Transactions

36

14 Senior Personnel

9 Payroll

7 Administrative Salaries – budget to actual

3 Payroll cost transfers

3 Payroll near or after award expiration date

Cash Management Transactions

11

11 Adjustments after award expiration

Initial Requests

18 different questions depending on transaction

- Questions related to timing - 6
- Questions related to budget v. actual - 4
- Questions on adjustments and cost transfers - 3
- Miscellaneous questions - 5

Questionable Transactions Identified

19 Total

Non Payroll Transactions – 16

- Indirect costs – 10
- Travel, no budget – 3
- Expenditures after award end date – 2
- High risk transactions - 1

Questionable Transactions Identified

19 Total

Payroll Transactions – 1

- Payroll near or after award expiration date

Questionable Transactions Identified

19 Total

Cash Management – 2

- Adjustments after award expiration date

Questionable Transactions Identified

19 Total

19 Reduced to two non-payroll transactions

- Travel, no budget
- High risk transactions

After review by new auditors

27 Transactions identified as questionable

Non-payroll transactions – 26

- Expenditures after award end date - 7
- Travel, no budget – 7
- Equipment – no budget/near end of grant – 5
- A/P – potential equipment purchases - 4
- High risk transactions - 3

After review by new auditors

27 Transactions identified as questionable

Cash Management – 1

- Adjustments after award expiration

After review by new auditors

Travel Questions

- Provide documentation to support activity while in XXX
- Provide documentation to support the need for the additional days in XXX and how those days benefitted the award
- Took taxi to airport but rented a car on the return trip. Not reasonable.
- Provide support/evidence for talks given by PI in XXX

After review by new auditors

Travel Questions

- Provide detailed itinerary for PI's travel in XXX. Breakout business days vs. personal days
- Were lodging and other expenses related to this travel charged?
- Provide support for price difference between coach fare and business class upgrade
- Provide support for the analysis of cost savings for additional per diem charged

After review by new auditors

Travel Questions

- Provide support for conference attended (i.e. conference registration receipt and conference agenda)
- Why did the PI take a train to XXX Saturday morning?

After review by new auditors Equipment Questions

- Computer was shipped on 3/1/13 on a six year award that expired 4/30/13. Computer was available for less than 3% of the grant life (60 out of 2,190 days). The computer is general purpose equipment, and based on the purchase date was not necessary for the performance and administration of the award.
- Provide a budget to actual expenditure report covering the entire award period

After review by new auditors Equipment Questions

- The budget request for capital equipment was reduced from \$20,000 to \$6,000 (w/additional \$14,000 provided by Purdue). The equipment invoice was dated 7/25/13, on a five year award that expired on 9/30/13. The equipment was available for only 3% of the grant life (67 out of 2,252 days)
- The workstation was purchased on 4/4/14 on a five year award that expired on 5/31/14. The equipment was available for only 3% of the grant life (57 out of 1,825 days). Costs will be questioned

Lessons Learned

- ▶ The audit reinforced that all transactions that post after the expiration date of the award are questioned. The farther out the transactions post after the expiration date, the higher the level of scrutiny the transactions will receive.

Lessons Learned

- ▶ Transactions that post in the last 90 days of the project must be well documented as to why the costs are necessary and how they will be used in accomplishing the project's scope of work.
- ▶ This is especially critical for capital equipment, non-capitalized computers and foreign travel.

Lessons Learned

- ▶ All costs claimed for travel must be clearly documented as to their purpose, why they are necessary and how they benefit the award.

Lessons Learned

- Costs incurred that have not been budgeted need to be well documented as to the reason for the costs, why they were not originally budgeted and their benefit to the award.
- This is especially important for travel costs, capital equipment and non-capitalized computers.

Lessons Learned

- ▶ When claiming cost savings, the savings must be supported by verifiable documentation.

Lessons Learned

- ▶ Moving lump sum balances of expenses with no identification of the actual transactions on or off a federal sponsor fund (including the cost sharing) is not acceptable. Detailed identification and descriptions of the charges that make up the amount must be included.

Lessons Learned

- ▶ When there is a need to move expenses from cost share funds to sponsor funds, use the most recent expenses incurred as much as possible. The older the transactions have posted the more likely the backup documentation will no longer be available in case of an audit.

Lessons Learned

- ▶ Correcting document explanations must justify that the corrections are necessary, benefits the project, includes the original document number, posted date, amount and includes current balances of the accounts involved in the correction.
- ▶ If the amount being adjusted is less than the original amount of the transaction, that must be explained in the explanation as well.

Future Developments...

The lessons learned is on-going until the audit has been completed and any costs questioned go through audit resolution.

Stay tuned for the rest of the saga
sometime in the future

