



University of Washington

Faculty Grants
Management
Program

Recurring Audit Issues

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I. Introduction

The University of Washington is faced with managing its research activities:

- (1) under increasingly complex regulations,
- (2) with closer scrutiny by the federal and state governments and the general public, and
- (3) while having an ever-dwindling supply of administrative resources to do the job.

With the implementation of the OMB Circular A-133 Federal Single Audit Regulations for universities, and the changes to OMB Circular A-21, Cost Principles, we anticipate a strong emphasis on direct charges to our grant and contract programs.

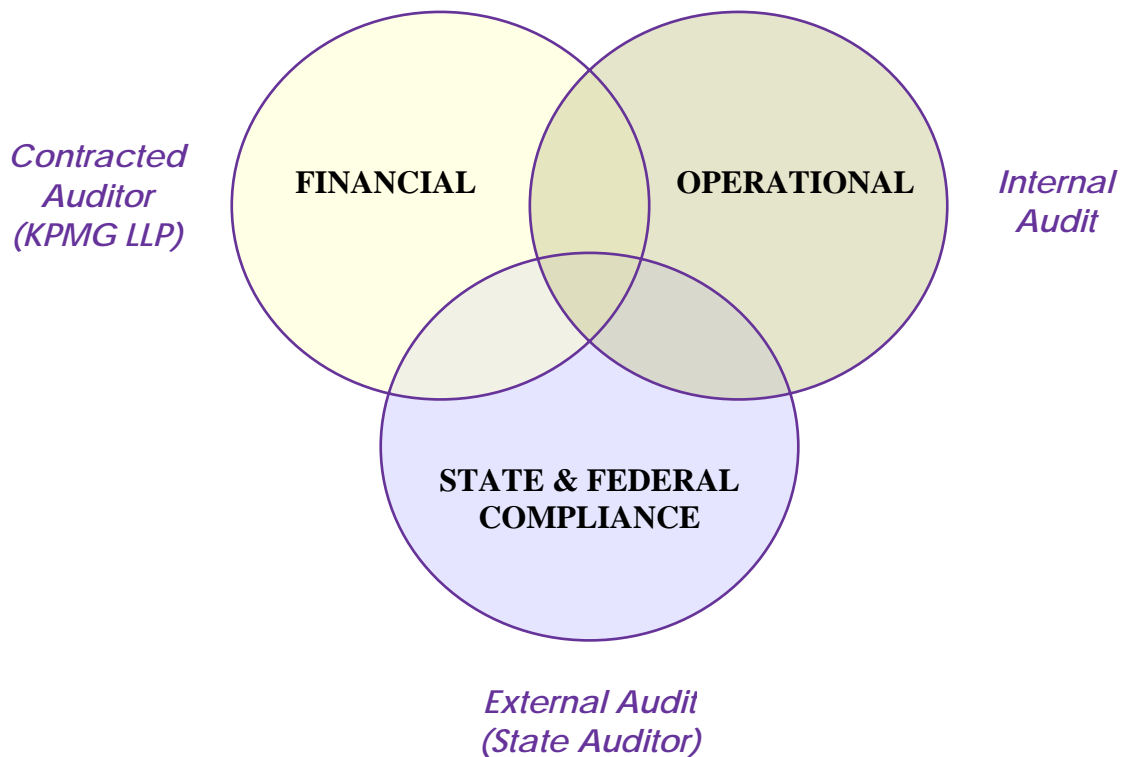
These materials from Internal Audit are provided to briefly describe the audit structure in place at the University, and to provide examples of serious audit exceptions recurring throughout our campus more often than we would like.

II. Audit Structure

Audit Coverage Overview

As part of the coordinated audit approach adopted in 1990, Internal Audit works closely with the State Auditor and KPMG LLP. Each audit organization has a specific role:

- Complements and does not duplicate
- Ensures the University has comprehensive audit coverage



Audit Coverage of Federal Programs

Federal grants and contracts receive audit review by the State Auditor, federal audit agencies, and by the University's Internal Audit Department.

State Auditor

Under the authority of the Federal Single Audit Act, the State Auditor audits all of the University's federal grants and contracts as part of a single audit of the State of Washington. In the past, this was done by reviewing all of the University's central grant and contract control systems and auditing all major federal research programs. Currently, the auditors are focusing on departmental control systems by reviewing selected schools and departments. The state auditors will contact various principal investigators and testing will include staff interviews and examination of supporting documentation. The State Auditor also investigates whistleblower allegations and fraud involving federal monies.

Federal Audit Agencies

- Federal agencies perform (1) program reviews of select grant programs, (2) special reviews of selected systems as part of nationwide studies (recharge centers, federal travel), (3) special investigations as a result of findings by the State Auditor, (4) pre-award audits, and (5) closing contract audits.

University Internal Auditor

- The Internal Audit Department assesses the strength of departmental grant control systems and works within to correct deficiencies before federal or state authorities make their reviews. We do this by reviewing internal policies and procedures, determining if staff and faculty understand their responsibilities, and working with departments to correct any known deficiencies.
- The Internal Audit Department also oversees and facilitates the activity of any external auditor while they are on campus and works with University management should audit resolution of questioned costs be necessary.

III. Services Provided by Internal Audit

Grant and Contract Audit Services

Grant Management Systems

- Plan, conduct, and coordinate audits of central and departmental grant and contract management systems.
- Develop procedures to review departmental direct cost systems.
- Assist departmental staff to ensure a complete understanding of regulatory issues.
- Participate on University committees which address the impact of ongoing changes to federal regulations and review University grants administration practices.

Special Investigations

- Investigate employee or citizen complaints dealing with violation of state and federal grant and contract regulations.

Internal Audit Services

Internal Control Systems

- Evaluate the effectiveness of departmental accounting and operating controls.
- Determine that department management, faculty, and staff understand their responsibilities for establishing and maintaining sound operations.
- Provide advice to campus committees working to redesign administrative systems so that accounting and operating controls are maintained and strengthened.

Departmental Support

Provide assistance, at the request of management, to organizational units because of special circumstances, such as change in management, new systems implementation, the absence of audit history, or other special needs.

Operational

- Evaluate the effectiveness of departmental accounting and operating controls.
- Determine that department management, faculty, and staff understand their responsibilities for establishing and maintaining sound operations.
- Provide advice to campus committees working to redesign administrative systems so that accounting and operating controls are maintained and strengthened.

Compliance

- Ensure that departments understand and have systems to comply with external regulations and University policies and procedures.

Special Investigations

- Investigate fraud, theft, falsification of records, conflict of interest, or misappropriation.

Audit Liaison and Control Services*External Auditors*

- Facilitate all external audit activities to prevent duplication of work, to coordinate communications between auditors and University personnel, and to minimize disruption of campus activities.

Audit Resolution

- Provide assistance in resolving audit problems.
- Clarify audit findings and recommendations.
- Coordinate management's response to audit findings.
- Monitor implementation of audit recommendations.

Audit Contracting

- Coordinate and manage the process for the selection of contracted auditors.
- Evaluate performance of contracted auditors.
- Coordinate contracting for additional audit services to satisfy departments' special needs.

Management Communications

- Guide and update the University-wide External Audit and Audit Working Group committee members throughout the audit process.

Professional & Organizational Development

- Develop materials and conduct classes for University management, faculty, and staff on regulatory, internal control, and fraud prevention issues.

Information Systems and Technology Audit Services

Internal Control Systems

- Plan, conduct, and coordinate audits of central and departmental computing functions.
- Determine that department managers understand their responsibilities for establishing controls over the critical computer systems they monitor.
- Participate on system development teams to provide timely feedback to ensure that system designs include appropriate controls.
- Work with development teams in testing controls in new systems prior to implementation and recommending improvements.

Central System Computing Support

- Support Computing & Communications activities on University information systems as needed.

Internal Audit Computing Support

- Train and provide guidance to the audit staff in technical areas so they can evaluate risks of technology usage to the University.
- Retrieve and analyze data in support of audit activities.

IV. Interaction with External Auditors and Program Reviewers



[Access information on preparing for audits.](#)

Auditors on Campus 2005-2006

Contract Auditors on Campus 2006-2007

KPMG LLP

Financial Statements Audits for:

- University of Washington
- Intercollegiate Athletics
- Parking Services
- UW Medical Center
- UW Medical Center Consolidated Laundry
- UW Medical Center Service League
- Harborview Medical Center
- Harborview Sexual Assault Center
- Harborview Eastside Sexual Assault Center for Children

Peterson Sullivan PLLC

Financial Statements Audits for:

- Associated Students of the UW
- Graduate & Professional Student Senate
- Student Publications
- Student Union Facilities
- Department of Housing and Food Services
- Housing & Dining System
- Retail & Remote Food Services
- Metropolitan Tract

- UNICO Properties—Lease Compliance
- Four Seasons Olympic Hotel—Lease Compliance
- Trammell Crow Company—Operating Agreement

External Auditors on Campus 2006-2007

Office of the State Auditor

- Compliance with state and federal regulations
- State of Washington's annual financial statements audit in compliance with the Single Audit Act
- Whistleblower and citizen complaints
- Fraud investigations

U.S. Department of Health and Human Services

Closing Grant/Contract Audits

- Alcohol and Drug Abuse Institutes
- Applied Physics Lab
- Chemistry
- Electrical Engineering
- Mechanical Engineering
- Medical Genetics

Audit of graduate student compensation

Air Force Institute of Technology

Confirmation of tuition paid for students—Student Fiscal Services

Defense Contract Audit Agency

Audit of billing and accounting system and related controls—Grant and Contract Accounting, Applied Physics Laboratory

Audit of FY 2006 Prorated Direct Cost Rate—Applied Physics Laboratory

Audit of the Use of the Fixed Fee—Applied Physics Laboratory

Department of Energy

Request for report of costs claimed—Grant and Contract Accounting

Federal Aviation Administration Centers of Excellence

Site visit—Center of Excellence for Advance Materials in Transport Aircraft Structures

Food and Drug Administration

Not-for-cause inspection of the University Institutional Review Board—Human Subjects Division

National Aeronautics and Space Administration—Jet Propulsion Laboratory

Site visit—Office of Sponsored Programs

National Institute of Aging

Site visit—Shock Center Facility—Department of Pathology, Grant and Contract Accounting

National Institute of Allergy and Infectious Diseases

Site visit—Office of Sponsored Projects, Department of Immunology

National Science Foundation Office of Inspector General

Closing audit—Mechanical Engineering, Grant and Contract Accounting

Review of expenses claimed—Grant and Contract Accounting

Audit of University of Alaska—Anchorage subcontract—College of Engineering

Neighborhood House

Contract audit—Dept. of Environmental and Occupational Health, Grant and Contract Accounting

Office of Naval Research

Property Control System Analysis—Equipment Inventory Office

Contractor Purchasing System Review—Purchasing, Office of Sponsored Programs

Sandia Labs

University of Washington 2005 electronic cost claim—Grant and Contract Accounting

State of Washington Department of Transportation

Audit of the billing, job tracking and accounting information systems—Washington State Transportation Center (TRAC)

Tips for Dealing with External Auditors: Managing an Audit

Managing an Audit

 www.washington.edu/admin/audit/manage.html




Here are some suggestions to consider when interacting with auditors, both internal and external. These suggestions are not meant to restrict the auditors in any way, but instead are meant to expedite the audit process while minimizing disruptions to day to day departmental operations. It is important to both the auditors and the departments to have accurate and objective findings and conclusions.

Planning

Designate an audit liaison person. In most cases, this person is the department administrator. Designate an alternate in case the audit liaison is not available.


Contacts

Know the contacts in the central University offices:

-  Ann Anderson, Controller
Telephone 543-4990
andera@u.washington.edu
-  Sue Camber, Assistant Vice President, Research Accounting and Analysis
Telephone 543-8951
scamber@u.washington.edu
-  Carol Zuiches, Asst. Vice Provost for Research, Office of Sponsored Programs
Telephone 543-4043
zuiches@u.washington.edu

Communicate to all faculty and staff that if the auditors contact them directly, they should immediately notify the liaison person.

When contacted by an external auditor, immediately notify the University's Executive Director of Audits:

-  Maureen Rhea, Executive Director of Audits
Telephone 543-4028
mrhea@u.washington.edu

Entrance Conference

- Demonstrate a positive attitude.
- Have the auditor explain why your department was selected for an audit.
- Clarify the audit objective and scope (areas to be tested and period covered by the audit).
- Discuss the results of prior audits as this may limit the scope of the current audit.
- Understand the audit process.
- Understand the reporting process and determine who will receive audit reports.
- Determine staffing and space requirements.
- Identify the timelines, i.e., beginning and end of fieldwork, report date, etc.
- Know contacts in the external auditor's office.
- Consider giving the auditor a tour of your facilities.

Access to Records by Auditor

- Obtain a list of requested records.
- Pull records and provide them to the auditors. Do not provide records that are not relevant.
- Ensure original documents do not leave department premises without prior approval. Make copies of any documents leaving department premises.
- If a request is ambiguous, ask the auditor for the purpose of reviewing the document. Be prepared to recommend alternate documents that would achieve the auditor's purpose.
- Unless absolutely necessary, do not allow full access to your file drawers, storerooms, etc. Auditors are expected to obtain permission and state their objective for accessing these areas.
- Communicate the reasons for any significant delays in providing records.
- Have documents available upon their arrival. Subsequent requests should be handled ASAP.
- Maintain a list of records provided to the auditor. Ensure all records are returned at the completion of audit fieldwork.
- Review records you are providing to anticipate questions. If record will hurt University's interest, notify department management and the University's Executive Director of Audits (for external audits) of the issue.

During the Audit Fieldwork

The Audit Liaison Person Should:

- Keep the audit focused.
- Facilitate the audit.
- Keep constant communication with the auditor.
- Resolve audit issues as soon as they are brought to the department's attention.
- Keep all parties informed on the progress of the audit.
- When possible, attend meetings between the auditors and employees. (But the department should respect an employee's wish to meet with the auditor alone).

Do's and Don'ts for Interacting with Auditors

Do's

- Be honest and open.
- Recognize they may be experts.
- Realize they may not be subject experts.
- Understand the purpose of the meeting and review related records prior to interviews.
- Listen carefully and understand each question before answering. Be sure responses are complete and accurate.
- Respond only to the question asked—keep answer simple and direct.
- Weigh answers carefully, being certain you have the facts to back them up.
- Limit comments to areas where you have "first hand" knowledge.

Don'ts

- Do not speculate or answer hypothetical questions.
- Do not agree or disagree with opinions.
- Do not "ramble" or provide irrelevant information (office gossip).
- Do not get offended by WHY questions.
- Do not sign anything on behalf of the University.

Audit of a Specific Transaction

- Limit conversation to transaction in question.
- Explain how the transaction benefited the grant or budget.
- Explain how the transaction was identified to the grant or budget.
- Do not bring in funding issues or departmental politics.

Responding to Audit Findings

- Keep informed of issues throughout the audit.
- Ensure an exit conference is held. Use it to verify facts and respond to the audit. Ask a representative from Internal Audit, Grant and Contract Accounting, the Office of Sponsored Programs, or the Controller's Office to attend if there are questioned or disputed findings.
- Ask for time to review findings, and then re-verify calculations and source data.
- Concede valid findings, but do not speculate on whether they apply to other areas on campus.
- Take immediate corrective action and resolve the issues before they are put in writing.
- Discuss with the auditor the disposition of audit issues, i.e., verbal comment, exit item, management summary or report item. The disposition of the issues is based upon several factors.
- If necessary, appeal the auditor's conclusion with their supervisors. For external audits, this action should be coordinated with Internal Audit and the Controller's Office.

Responding to the Audit Report

- Ask to review the draft report.
- Provide management response, which should include:
 1. Whether you agree or disagree with the finding
 2. Corrective action plan
 3. Target date for implementation.
- Understand the audit follow-up process.
- For external audits, consult with the Internal Audit and Controller's Office prior to finalizing response.

Change of Audit Approach

Effective July 30, 1997, OMB Circular A-133 replaced Circular A-128. These circulars provide guidance on audits of federal programs and the changes included the use of a “risk-based” audit approach and the requirement for internal control testing for high risk areas.

The auditors current approach includes:

- Identification of “high risk” transactions using computer analysis. Expenditures for grant programs are downloaded and analyzed for high risk characteristics such as clerical and administrative salaries, office supplies, travel, etc.
- Review for direct costs that should have been charged as indirect costs (e.g., administrative salaries, office supplies).
- Review of shared use items to ensure that an acceptable allocation basis was used (e.g., lab supplies). These charges should be purchased or allocated on a “reasonable” basis as determined by the faculty P.I. They should not be charged on an arbitrary basis or on a funding basis (grant with most funds available).

Federal Audit Focus

The auditors review the following controls:

- Authorization by P.I. or designee
- Documentation of transactions charged to sponsored projects
- Internal Control Systems:
 - Segregation of duties to prevent errors or fraud
 - Evidence of PI involvement in the grants management process

UW Policy and Procedures Regarding Interaction with External Auditors and Program Reviewers



[Access Policies and Procedures for Interactions With Non-University of Washington Auditors.](#)

Policies and Procedures

Purpose

This section outlines policies and procedures regarding interaction between University personnel and external auditors. An external auditor is defined as any non-University of Washington auditor, e.g., state, federal or private firm.

Policy

It is the policy of the University of Washington to fully cooperate with external auditors. In the furtherance of this objective, it is expected that auditors and University personnel will observe certain procedures intended to facilitate orderly audits and to minimize disruption of normal departmental operations. These procedures are outlined in the following sections.

Procedures

General

As part of the audit coordination process, Internal Audit serves as liaison between central administrative offices, University departments and external auditors. All initial contacts with external auditors should be arranged through the University's Executive Director of Audits. If any University personnel are contacted directly by an external auditor, they should notify the Executive Director of Audits. Appropriate advance arrangements must be made to ensure that (1) the proper persons are on hand to assist the external auditors, (2) relevant records are gathered together in a timely manner, and (3) the contact is scheduled to minimize disruption of departmental activities.

Internal Audit will keep a record of all correspondence, meeting minutes, phone notes, and other communications between the external auditor and Internal Audit.

Notification of Audit

By the Auditor

The external auditor should send a written notification of the upcoming audit to the Executive Director of Audits. The written notification should include the following:

- subject area
- scope and purpose of the audit
- approximate start date and duration of the audit

This will assist the University in arranging for people and records to be available when the external auditor requires them.

By the Executive Director of Audits

The Executive Director of Audits will notify the appropriate University officials regarding the scope, purpose, schedule, and other information relevant to the upcoming audit.

Entrance Conference

The University's Executive Director of Audits will coordinate an entrance conference with the appropriate University officials and the external auditors. The objectives of this conference are to establish the purpose, scope, and timing of the audit or review; determine the information required by the external auditor; and arrange the physical facilities and equipment needed to facilitate the audit. Minutes of the meeting will be taken and made available to the external auditors and appropriate University personnel.

Contact During Audit

After the entrance conference, all requests for specific information or interviews with faculty and staff should be coordinated through the Executive Director of Audits. The Executive Director of Audits or appropriate University personnel may accompany faculty or staff members during interviews when deemed appropriate. The external auditor should keep the Executive Director of Audits or designated University official informed of any mistakes, discrepancies, or audit questions or concerns that arise during the audit process. The purpose of such contact is to expedite the audit and to provide additional information or clarify any ambiguities.

For specific external groups, certain procedures during the audit may vary from the general procedures, as discussed below.

Federal Auditors

Pre-Award Audits

After the entrance conference, all questions and requests for specific information or interviews with employees will be coordinated through the department administrator or appropriate department personnel. The department administrator will obtain the necessary documentation and will arrange for interviews. The department administrator may directly contact the Office of Sponsored Programs or the Grant and Contract Accounting Office for assistance.

Program Reviews

Program reviews are often conducted to review program operations and to determine whether the project is meeting programmatic goals. In these cases, the program reviews should be coordinated through the department administrator who will obtain the necessary documentation and arrange for interviews. However, some program reviews, such as those conducted by the U.S. Department of Education, include a review of fiscal operations. In these cases, the department administrator should coordinate the review of fiscal operations with the Executive Director of Audits.

For program reviews of student financial aid, the Department of Education may work directly through the Director of Financial Aid.

State Auditor's Office and CPA Firms

After the entrance conference, all requests for specific information or interviews with staff can be arranged through the appropriate department administrator or designated University personnel.

Exit Conference

When the audit has been completed, the Executive Director of Audits will schedule an exit conference. The purpose of the exit conference is to inform University representatives of the audit findings. At this time, any misunderstandings are clarified and unresolved financial issues discussed. Minutes of the meeting will be taken and made available to the external auditors and appropriate University personnel.

University Records

On a timely basis, the University will provide external auditors with access to all records that are relevant to the audit, except those deemed by the University to be legally privileged or protected. Availability of records is subject to the University Records Retention policy, which allows destruction of records within prescribed limits. Records may be located in either the central offices (Financial Services, Grant and Contract Accounting, Office of Sponsored Programs, Payroll) or at

the departments. The external auditor must make arrangements through the appropriate department head or administrator for the retrieval and re-filing of records.

Use of University Computer and Administrative Systems

If external auditors need to use University computer resources or access the University administrative systems, the auditor-in-charge should send a written request to the Executive Director of Audits describing the need in the most specific terms possible. Such a request should be made in advance so that proper arrangements can be made.

Questions



Questions about this policy should be directed to the Executive Director of Audits at 543-4028.

V. Whistleblower Legislation

Summary of the Provisions and Protections of RCW 42.40

Chapter 42.40 RCW was enacted to encourage employees of the State of Washington to report improper governmental actions to the State Auditor's Office (SAO). "Improper governmental action" means any action by an employee that violates state law, abuses authority, wastes public funds, or endangers public health or safety. "Improper governmental action" does **not** include personnel actions involving employee grievances and related complaints.

Allegations of improper governmental action must be filed in writing with the SAO. Telephone calls are not accepted. Allegations can be reported using the Whistleblower Reporting Form or in a separate letter. In either case, the report should include:

- A detailed description of the improper governmental action(s)—what happened?
- The name of the employee(s) involved.
- The agency, division, and location where the action(s) occurred.
- When the action(s) occurred.
- Any other details that may be important for the investigation—witnesses, documents, evidence, etc.
- The specific state law or state regulation that has been violated.
- The whistleblower's name, address, and phone number.

Allegations of improper governmental action may be filed anonymously. However, by providing a name and phone number, the whistleblower enables the SAO to gather additional information necessary for a thorough investigation. The identity of the whistleblower is kept confidential.

The Whistleblower Reporting Form is available through:



Department of Internal Audit at 543-4028 or State Auditor's Office at 543-4196



[the Washington State Auditor Office's web site](#)

The Whistleblower Reporting Form or letter should be mailed to:

State Auditor's Office
 Attention: ED
 P.O. Box 40031
 Olympia, WA 98504-0031

The SAO mails acknowledgment to the whistleblower within five working days of receipt of the report of an improper governmental action. When a preliminary investigation has been completed, the SAO will send the whistleblower a letter containing a summary of the information received and the results of the preliminary investigation. The auditor will report details to any employee under investigation, the head of the employee's agency, and if necessary, the Attorney General or other appropriate authorities.

A whistleblower is entitled to protection from reprisal or retaliatory action. If a whistleblower believes he or she has been the subject of such action, the whistleblower may file a claim with the Washington Human Rights Commission. The commission shall investigate the claim and take appropriate action.



Please call Internal Audit at 543-4028 for more information.

Whistleblower Legislation Footnote

Primary provisions of the 1999 amendments to the Whistleblower law:

- A one-year statute of limitations. The asserted action must have occurred within a year of when it is reported. Timeliness is critical to gathering evidence, stopping improper governmental action and in holding public employees and officials accountable.
- The State Auditor's Office (SAO) has the sole discretion to determine how, or if, whistleblower assertions will be investigated. When making this determination, the following factors must be considered:
 - Correctness of information furnished.
 - The nature and quality of evidence and the existence of relevant laws and rules.
 - Whether the action was isolated or systemic.
 - The history of previous assertions regarding the same subject or subject matter.
 - Whether other avenues are available for addressing the matter.
 - Whether the matter has already been investigated or is in litigation.
 - The degree or significance of the asserted improper governmental action.
- Improvements in due process for all parties to the investigation. The measure requires the SAO to communicate with the whistleblower, agency head and subject of the investigation at various stages of the process. All parties will be given an opportunity to respond to the draft report.
- The SAO must obtain the consent of an agency prior to referring whistleblower cases for investigation.
- A panel, including a citizen, will review and recommend whether to proceed with further investigation of anonymous assertions.

Tips for Avoiding Whistleblower Complaints

A high percentage of grant investigations are triggered by whistleblower complaints.

To avoid this, the department should:

- Have a system in place for reporting and investigating suspected improper governmental actions within the department
- Investigate complaints promptly and openly
- Communicate results

VI. Common Audit Findings

No.	Audit Issues	Examples	Red Flags
PAYROLL			
1	<p>Payment of staff salaries was based on availability of funding as opposed to actual effort placed on the projects because of the following reasons:</p> <p>A. To use up surplus monies or avoid deficits</p> <p>B. Grant period ended or grant funds were used up prior to the completion of research</p> <p>C. Funds were not received before the start of the grant period</p>	<p>A fiscal person's salaries were charged to a few grants/contracts that have available funds left. The employee provides the same services for all projects in the department</p> <p>Salary was charged to one grant because funding of another grant was late</p>	<p>Salaries of administrative and clerical staff charged to grants</p> <p>Employee salaries are transferred between different federal grants</p>
2	<p>Hourly wages were paid with no documentation of hours worked. Hourly employees were not paid based on actual hours worked.</p>	<p>Hourly employees were paid based on an agreed upon fixed amount. "Hours worked" was computed by dividing the fixed amount by the assigned hourly rate.</p> <p>False time sheets were submitted.</p>	<p>No time sheets to support hours worked.</p> <p>Unusual fractions of hours worked.</p>
3	<p>The department's reluctance to process Personnel Action Forms and Retroactive Salary Transfers resulted in:</p> <p>A. Salaries charged to sponsored projects were not for those individuals that performed actual work that benefited the research</p> <p>B. Salaries were charged in the wrong service period</p>	<p>A P.I. worked on his research. However, salaries of a substitute instructor who was not involved with the research were charged to the project instead of the P.I.s</p> <p>A phlebotomist was paid on a grant for services provided by other lab personnel</p> <p>Service was performed in one period but salary was paid in another period</p>	<p>Individuals with teaching appointments, e.g. TAs, etc. are charged to grants</p> <p>Employee interviews reveal inconsistencies between effort and salary distributions</p> <p>Employee interviews — see above</p>

No.	Audit Issues	Examples	Red Flags
4	Federal research was charged for services not provided	<p>A federal grant was charged for staff salaries because another grantor disallowed the expense</p> <p>A federal grant was charged to supplement a graduate student's stipend without clear indication that the grant benefited from the expense</p>	<p>Retroactive Salary Transfers (RSTs), Request to Transfer Expenditures (RTEs), and Cost Transfer Invoices (CTIs) issued by the department</p> <p>Students paid a fixed number of hours per pay period</p> <p>Unusual fractions of hours worked</p>
5	Inconsistent treatment of grant support services within the department	Salaries of faculty secretaries performing the same duties are charged either indirectly to the state budget or directly to federal grants	Salaries of administrative or clerical employees are charged to research grants
6	Salary certification reports were not completed or approved in accordance with Office of Management and Budget (OMB) Circular A-21 and Grants Information Memorandum (GIM) 1	<p>Grant and Contract Certification Reports (GCCRs) were not signed, dated, and kept on file in the department</p> <p>GCCRs were not signed by the P.I. or a designee with a suitable means of verification that the work was performed</p> <p>Faculty Effort Certifications (FECs) were revised by the administrator or fiscal person after completion by the P.I. and without the P.I.'s approval. The revisions were made to force agreement of the salary and effort distributions in the FEC</p> <p>The salary and effort distributions in the FECs do not match. Retroactive salary transfers were not prepared</p>	<p>Failure by auditors to locate certification reports</p> <p>Certification reports not signed or dated</p> <p>All department GCCRs were signed by the administrator/fiscal person</p> <p>Review of FECs show corrections. P.I. interviews reveal lack of knowledge of revisions made</p> <p>Review of FECs show discrepancies between the salary and effort distributions</p>

FACULTY GRANTS MANAGEMENT PROGRAM

No.	Audit Issues	Examples	Red Flags
		<p>Employees with no knowledge of which projects they're working on are asked to certify to the accuracy of the allocation of their work hours in their time sheets. These time sheets were used to allocate the employee's salary to the different projects</p>	<p>Employee interviews reveal lack of knowledge of different projects</p>
7	<p>Salary costs for non-research related activities were directly charged to federal grants</p>	<p>Federal grants were charged for 100% of faculty member salaries even though more than 5% of the faculty member time was spent on non-grant related activities (teaching, serving on committees, advising, outreach, etc.)</p> <p>Grants were charged for hours spent preparing proposals for new and competing awards</p>	<p>Review of FECs and interviews with faculty members reveal non-research related activities charged to federal research</p> <p>Observation of work performed by staff and staff interviews reveal non-grant related activities</p>

PURCHASING and OTHER EXPENDITURES

8	<p>Sponsored projects were charged for goods and services that did not directly benefit the project or sponsored projects were charged for amounts not proportionate to the benefits received. The most common reason for this is to use up surplus monies</p>	<p>A grant was charged for shop services not provided</p> <p>Federal Research was charged for department administration expenses not provided</p> <p>A grant was charged for three copier toners in the last month of the project</p>	<p>Significant CTI activity and unsupported CTIs</p> <p>Significant increase of expenses near the end of the project period</p>
9	<p>Costs normally treated as indirect costs were directly charged to sponsored projects without proper justification and approval</p>	<p>Base level office supplies, such as pens and papers, were directly charged to grants</p> <p>Subscriptions and memberships were directly charged to grant without clear indication that they can be specifically identified to the project</p>	
10	<p>Purchase documents were not approved in accordance with the requirements of OMB Circular A-21, OMB A-110 and GIM14</p>	<p>Delegation of authority was not in writing</p> <p>Purchase documents were not approved by P.I.s or designees</p>	<p>Review of purchase documents reveal lack of</p>

No.	Audit Issues	Examples	Red Flags
			documentation of proper approvals
11	Direct costs, such as lab supplies, equipment, off campus rent, were not allocated to benefiting grants based on a reasonable basis	The grant with the most funding was charged for all the supplies used in the lab	Expenditure transfers No supply charges on smaller grants
12	Goods and services were not received within the project period	Orders were placed a week before the end of the project period, but goods were delivered after the project period. The department did not obtain a no-cost extension from the sponsor.	Charges appeared in the BAR after the project period ended.

COST TRANSFERS

13	Non compliance with University policies on the use of journal vouchers, cost transfer invoices and retroactive salary transfers	CTIs were used to make corrections and to transfer surplus and deficits CTIs were used for purposes not authorized by University management	Unsupported CTIs, RSTs, and RTEs
14	Costs not allowed or costs that did not directly benefit the sponsored agreements were transferred from one budget to another to avoid restrictions imposed by law or by the sponsored agreement	Unexpended monies from expiring grants were transferred to the state budget by making false claims State funds were used to pay for grant salaries so state funds will not be lost at the end of the biennium. The department considered this transaction as a "loan" to the grant and subsequently charged the grant in the next biennium for goods and services not provided	CTI, RST, and RTE activity at the end of the project period or at the end of the biennium

SPONSOR PRIOR APPROVALS

15	P.I.s failed to obtain required sponsor prior approvals resulting in the incurrence of unallowable costs or loss of funds	A department failed to obtain a no-cost extension and incurred expenses that benefited the grant after the project period expired A department transferred cost overruns to a competing renewal award without pre-award approval	Expenses paid after the project period Large amount of expenses charged at the beginning of a grant
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FACULTY GRANTS MANAGEMENT PROGRAM

No.	Audit Issues	Examples	Red Flags
		A general purpose equipment not specifically awarded in the sponsored agreement was purchased	Purchase orders showing general purpose equipment charged to grants

EQUIPMENT

16	Noncompliance with UW, state and federal policies pertaining to equipment	Significant pre-tag entries in the equipment listing Missing equipment Equipment taken home without preparation of Property Activity Request Form	
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RECHARGE CENTER / COST CENTER

17	Noncompliance with UW and federal policies pertaining to recharge and/or cost centers	Charging federal research higher than other users Unapproved rates	
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VII. Criminal and Civil Sanctions

Criminal False Statements Act

- Felony—up to five years imprisonment and fines up to \$250,000 person; \$500,000 organization

Criminal False Claims Act

- Felony—up to five years imprisonment and fines up to \$250,000 person; \$500,000 organization

Civil False Claims Act

- Treble Damages
- Fine of \$5,000–\$10,000 for each individual claim
- Offers substantial incentive by providing significant awards to whistleblowers

Program Fraud Civil Remedies Act

- Up to twice the amount of false claim and a civil penalty up to \$5,000 for each claim
- Up to \$5,000 for false statements

VIII. Administrative Sanctions

Debarment and/or Suspension

General Service Administration (GSA)

- Exclusion from procurement/non-procurement

Public Health Service (PHS)

- PHS alert system

Questioned Costs

Audits

Termination

Damaged Reputation