

Audit of Sponsored Projects



Why Audit?

Sponsors love audits because they need to:

- Monitor whether we are in compliance
 - Are we capable of managing sponsored funding according to the regulations and policies? (Internal Control)
 - Have we used sponsored funding according to the regulations and policies? (Compliance)
- Decide the risk of future funding

We need audits because we want to:

- Let the public know that we are in compliance and our financial statements present the University's financial position fairly
- Establish a good track record and reputation

- Financial Statements
- A-133
- Project financial
- Program performance
- Disclosure Statement – 2 (DS-2)
- F&A (indirect cost rate)
- System and performance review
- Special audit: eg. cost sharing, cost transfer, effort reporting, subcontract costs, administrative salaries, etc.
- Desk Review: mostly project specific or pertain to a special area
- Internal audit
- Internal review

- Inspector Generals of Federal agencies
- AZ Auditors General
- Federal agencies
- Any other sponsors
- General Accounting/Accountability Office
- HHS DCA (division of cost allocation)
- Public accounting firms
- ABOR auditors
- Internal auditors
- Financial Services Office (FSO) and Sponsored Projects (SPS) financial compliance officers

- SPS receives engagement letter or notice of an audit:
(external financial audits are coordinated by SPS and FSO financial compliance officers.)
- SPS and FSO prepare for the audit
 - Provide financial records and supporting documentation to the auditor
 - Provide policy manuals and explain procedures and practices to the auditor
 - Notify parties involved (PIs, business manager, etc.)
- Entrance conference
 - Auditor explains audit scope and purpose
 - Auditor assesses basic organization information
 - Audit coordination work arranged

5

- Auditor's field work
 - Internal control assessment
 - Test of transactions
 - Resolve questions
- Exit conference
 - Summarize initial findings
 - Arrange follow-up work
- Management representation letter
- Draft report and findings
- Final audit report and findings
- University response and follow-up actions
- Final audit report with the University response published and distributed

6

- Internal Control
 - Material weakness

AICPA Standard: a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
 - Significant deficiency

AICPA Standard: a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Compliance with applicable laws, regulations, and policies
- Questioned Costs

- Central
 - Coordinates financial audits
 - Provides files, books, and support for transactions
 - Works with departments and PIs to provide additional information
 - Provides response to audit findings
 - Ensures follow up actions are implemented
- Departments and PIs
 - Be ready for interviews and questions
 - Provide files not maintained by central: eg, time cards and on-line roster reports
 - Work with central financial to implement auditor's recommendations
 - Coordinate project performance reviews and site visits from sponsors

- Auditors
 - Clarify audit scope and objectives
 - Conduct audit
 - Issue audit opinions
 - Provide recommendation to improve internal controls
 - Follow up with implementation of recommendation

- Audit interview: it's a risk assessment process
 - Be prepared: have all documents ready
 - Be professional and well organized
 - Be serious about internal control
- Do tell the truth
- Answer what is asked
- Contact SPS or FSO financial compliance officer when
 - Contacted directly by auditors for questions and documentation (except SAS 99 fraud detection interviews)
 - Aware of problems or issues
- Notify SPS financial compliance officer for project performance site visits (because most performance site visits include financial reviews.)



- Contact

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