

Reflecting on Recent Audit Risk Areas

June 11th, 2024

2:15pm – 3:00 pm

Fiorella Chavez - Director, NURES Finance

Nicole Malzone - Sr. Fixed Asset Manager, Accounting

Janny Zhang - Operational Accountant, Accounting



**Northeastern
University**

Why Are We Here?

1. Over the past couple of years, we have completed several Federal Agency audits, site visits, property surveys, etc. These requests are in addition to the annual UG audit.
2. Increase in ad hoc requests for additional documentation as part of “desk audits”. Sponsors (federal and nonfederal) are requesting this information in response to Letter of Credit draws, Financial Report submissions, carryover justifications, etc.
3. Uniform Guidance finding in FY23: Equipment Management

Overview of Audits

Audits are performed by federal and nonfederal agencies to determine if NU sponsored projects and processes are compliant with sponsor financial requirements. Audits occur annually (e.g. Uniform Guidance audit) and on an ad hoc basis at the discretion of the sponsor.

Research Finance (RF) is the main point of contact with sponsors and audit firms during financial audits. RF ensures that the financial information provided to an auditor is complete and consistent with the request.

During an audit, RF provides:

1. Institutional policies and procedures
2. Award Documents (NoA, Proposal, Budget, etc.)
3. General Ledger / Grant Expense Reports
4. Documentation to support expense selections
5. Management responses to questioned costs and/or audit findings

Key Contacts

Jeff Bonda - Process and Audit Manager

j.bonda@northeastern.edu

- RF point of contact for audits.
- Coordinates audits and works alongside RF Directors to ensure documentation/responses are satisfactory.
- Communicates with NU central offices and College units to gather supporting documentation as needed.



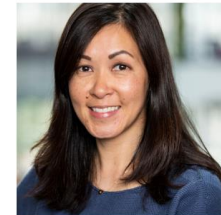
Jeff Bonda
Process and Audit Manager



Kalina Mathurin
*Director - Research
Accounting*



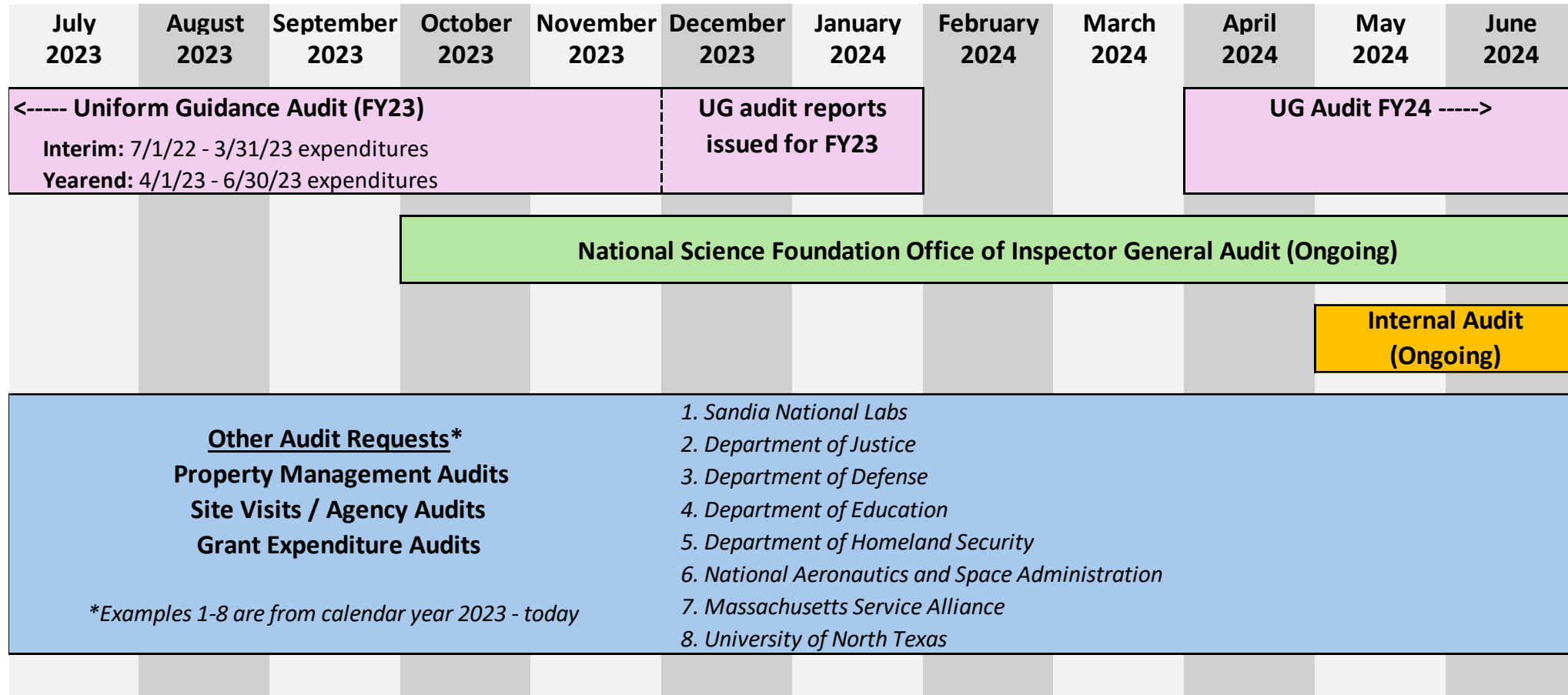
Fiorella Chavez
Director - NU-RES Finance



Alex Hui
*Executive Director - NU-
RES Finance*

Central Offices	College Units
<ul style="list-style-type: none">• NU-RES Finance• NU-RES Research Administration, Subaward Team, Compliance, etc.• Accounting Office• Accounts Payable• Procurement• Payroll & HRIT	<ul style="list-style-type: none">• Principal Investigators• Department Administrators• Business Managers• College leadership, as appropriate

Never Ending Audit Season



UG Audit

Northeastern University is subject to a Uniform Guidance audit performed by an independent auditor. The Single Audit is performed on an annual basis and tests our compliance with federal award requirements, internal controls, and operating effectiveness.

RF submits a **Schedule of Expenditures of Federal Awards (SEFA)** to the auditors, which includes all federal expenditures posted in the fiscal year. The SEFA provides transaction-level details from which auditors make selections.

UG Selections	
<ul style="list-style-type: none">• Direct Costs: Compensation, Fringe, Cost Transfers, Equipment, Consultants, Travel, Other Costs• Indirect Costs• Key Personnel	<ul style="list-style-type: none">• Period of Performance• Cash Management• Capital Equipment Records• Procurement and Suspension & Debarment• Subrecipients

NSF OIG Audit (Ongoing)

The National Science Foundation (NSF) Office of Inspector General (OIG) contracted with Sikich CPA LLC to conduct an audit of NSF awards issued to Northeastern University.

Audit objectives:

- 25 grant selections
- Review of NU compliance with requirements for overseeing subawards, including but not limited to, NSF and federal requirements related to subaward risk assessments, indirect costs, and subaward monitoring.
- Determine if subrecipient costs claimed are supported, allowable, allocable, reasonable and in conformity with NSF award terms and conditions.

**Audit has been underway since September 2023. As of June 2024, NURES Finance is still working with auditors to collect final supporting documents from the subrecipients.*

Ad Hoc Audit Request – LOC Draw

Under the provisions of the National Science Foundation’s (NSF) Award Monitoring Program, NSF has contracted with Guidehouse to perform a statistical analysis of NSF award payments/expenditures as requested through the Award Cash Management Service (ACM\$) between April 2023 and March 2024.

Guidehouse has selected the following transaction(s) for more detailed test work:

Sample ID	Date	Description	Amount
23	6/1/2023	Grant - Indirect Cost Charge	\$1,026.63
23	6/30/2023	HR PAYROLL 2023 SM 12	\$1,673.13
23	6/30/2023	Grant - Indirect Cost Charge	\$1,026.63

Supporting documentation includes: invoices and proof of payment for expenses, timesheets (include salary letter in effect at time of expense), benefit rate agreements, and indirect cost rate. In addition, please provide a brief explanation as to why this amount was charged to the award.

NSF must be able to validate that the expense was correctly charged to the award, and be able to recalculate salaries, indirect costs, etc.

Other Sponsor Inquiries

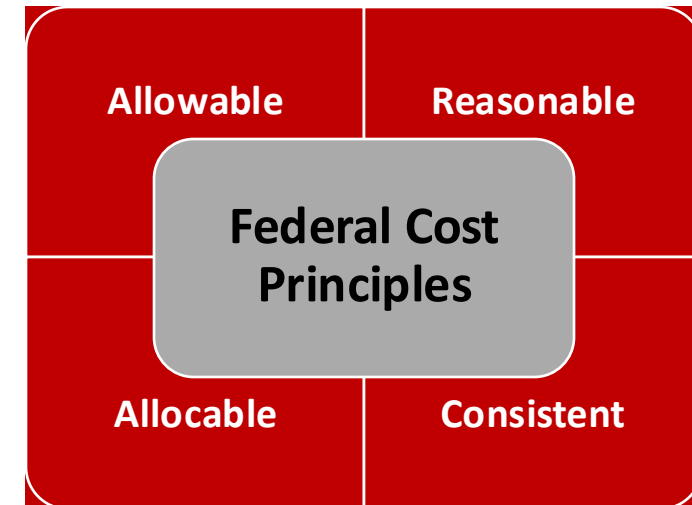
End of Budget/Project Period Costs

NIH: Please verify the explanation provided by PI regarding the UOB balance. Additionally, we need a statement from the AOR regarding any policies and/or procedures that will be put in place to prevent this from happening again. Your institution's financial management system should be able to prevent spending from other accounts per 2 CFR Part 200.302 as applicable. For your reference, please see [NIH Grants Policy Statement 8.3.1. Financial Management System Standards](#).

Other Fed: Your balance in your account is \$166,372.46 and you plan on expending \$70,000 drawdown by 5/31/24. Can you provide invoices for those expenses? We will need the information by Friday May 24th. Ledgers, invoices, and payroll screenshots- anything to support the amount that your project plans to spend by May 31 will suffice in addition to how the project plans on spending \$40,000 in the June 2024-May 2025 budget period. We expect for project directors to maintain up to date financial records in an effort to support strong fiscal stewardship of federal funds.

Risk Areas

- Insufficient documentation
- Evidence of review/sign-off by the PI
- Incomplete or late cost transfers
- Gaps in Vendor/PO documentation
- Non-compliance with institutional policies and procedures
- Increase in spending at the end of budget or project period



Risk Areas: Insufficient Documentation

1. The individual PIs and units are responsible for monitoring grant budgets.
 - Provide evidence of review/sign-off by the PI
2. Computer purchases made via myMarketplace. Costs were not in original proposal budget.
 - Are costs allowable? Did sponsor approve a revised budget?
 - Provide internal PI approval and confirmation that scope of work did not change.
3. Invoice for materials and supplies paid from multiple sources (department and grant accounts).
 - How was the allocation method determined?
4. Annual Payroll Certification did not show PI's salary allocation during the fiscal year.
 - Did PI request a decrease in effort? How was effort allocated?
5. Parking vouchers and meals were purchased for a conference hosted at NU. Costs were budgeted and paid as Participant Support Costs (PSC).
 - Provide all names of attendees to support PSC.
 - Attendance sheet only accounts for ~50% of costs incurred.

Cost Transfer Policy

[Policy on Cost Transfer | Policies \(northeastern.edu\)](#):

All transfer requests must contain sufficient supporting documentation, explain why the error was made and describe why the expenditure is appropriate for the project to be charged.

Cost transfers should be processed within the earlier of 120 days of the date of the original transaction or 90 days of the discovery of the error and require a [Cost Transfer Explanation Form.pdf](#).

Transfers of salary are a form of cost transfer; however, they are completed through the Payroll Distribution Change form (PDC) process and do not require a cost transfer form or a Journal Voucher. PDC forms require sufficient justification in order to stand the test of a formal audit and must describe how the salary redistribution affects effort applied on the research funds as described in the award. Adjustments made to salaries on a closed effort reporting period, included in a financial report/final invoice or a closed fund may require additional approvals.

Risk Areas: Cost Transfers

Documentation Gaps (JV)

- Original invoices, receipts, and GL backup are not consistently uploaded in K2.
- Cost transfer forms are incomplete - missing signatures, dates, responses, etc.
- RF cannot fill in the gaps. Departments are receiving requests for additional information during audit.

Insufficient Justification (PDCs and JVs)

- For Payroll Distribution Changes (PDCs), the comments section is missing a clear justification for the effort allocations.
- For non-payroll, responses to questions 1-4 of CT form do not provide detailed explanations.
 - Answers are too generic.
 - Imply that grants are being used to park charges.
 - Speak to lack of timely monitoring of awards.
 - Unclear if transfers were approved by the PI.

The “90 Day” rule

Errors are being discovered within the past 90 days, but cost transfers are more than 120 days after the date of the original transaction.

Although this practice complies with our current Cost Transfer Policy, auditors and sponsors have questioned NU internal controls/processes for transfers that are long after the original posting dates.

RF Compliance Review: Cost Transfers

- Transfers within 6 months of the date of the original transaction are generally approved by RF if the grant is active and the Cost Transfer documentation is complete.
- Transactions > 6 months are reviewed for completeness but may be rejected by RF if we determine the transfer poses an audit risk.
- PDC requests to add salaries to a grant for a closed effort reporting period may be rejected as well.
- Transactions ≥ 1 year should be covered from discretionary sources.
- All transfers (regardless of original transaction posting dates) will be scrutinized if the project is coming to an end.

Compliance is a team effort!



Risk Areas: Vendor/PO documentation

Procure to Pay (P2P) Guide

The matrix to the right provides a guide to be used when procuring goods/services from an existing university supplier partner. Follow the [How-to guide](#) to register a new Vendor.

- For exceptions contact Procurement Services

Vendor Justification Form

Used to confirm that purchases of goods or services from a vendor conform to the university's procurement policy.

- Department is responsible for retaining copies of all bids and quotes for audit.
- Be sure to provide justification for sole source, if applicable.

Vendor Payment Request Form (DPAY)

Used to pay invoices for non-travel payment requests that are less than or equal to \$ 5,000 USD and that are not supported by a PO in Banner.

Additional resources:

[How Do I Buy/Pay for Goods or Services?](#)

Procurement & Payment Methods	Purchases of Goods/Services ≤\$5,000	Purchases of Goods/Services >\$5,000 and <\$10,000	Purchases of Goods/Services ≥ \$10,000
myMarketplace	Most Preferred Procure to Pay (P2P) Method		
NU Card (Purchasing Card)	Not allowed to pay individuals for services rendered/consulting/honoraria/speakers ³	Not Allowed	Not Allowed
NU Card (Corporate Card)	Not allowed to pay individuals for services rendered/consulting/honoraria/speakers ³	Not Allowed	Not Allowed
Requisition/ Purchase Order & Change Order	Only if NUCard not accepted and is required by supplier	3 bids <i>recommended</i>	3 bids <i>required</i>
Direct Pay	Only if NUCard not accepted and supplier commodity is on the DPAY-acceptable list ⁴	Only if supplier commodity is on the DPAY-acceptable list ⁴	Only if supplier commodity is on the DPAY-acceptable list ⁴

Accounting Office – PP&E team



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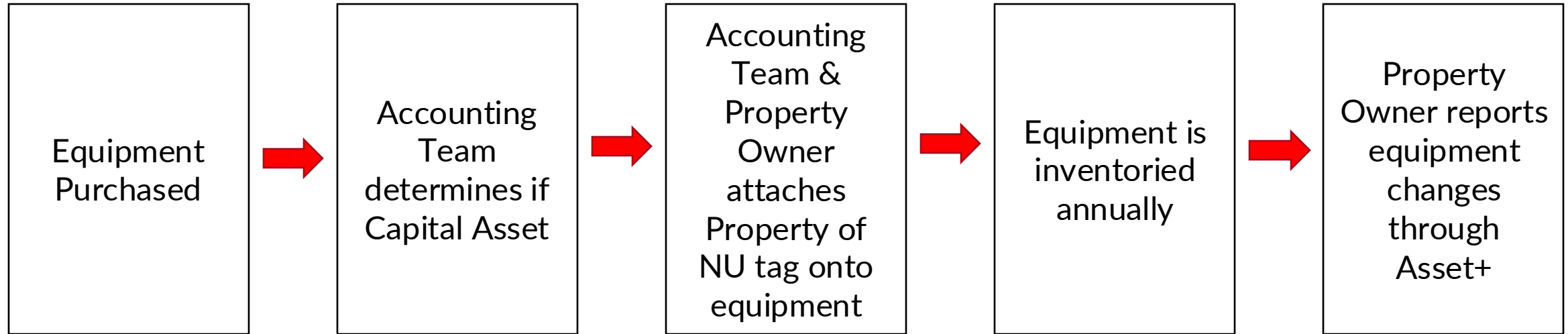


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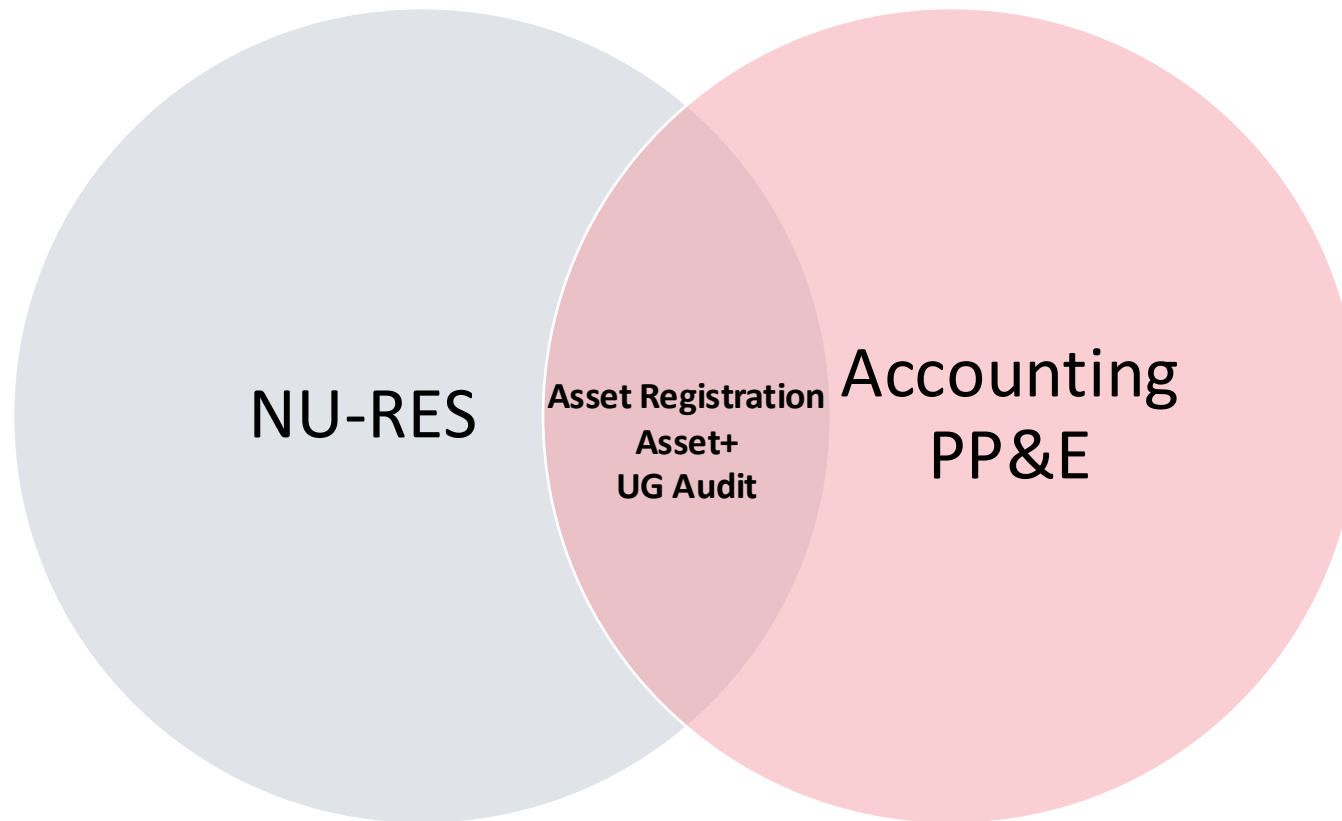
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Equipment Management

Workflow



Overlap



FY23 Audit Finding – Equipment Management

PWC selected 55 assets covering various locations across campus and noted 9 assets with incorrect identification information as follows:

- 7 of the 9 had tag numbers that were incorrect in the system by a few digits
- 2 of the 9 were tagged correctly, but the location was incorrect in the system
- 3 of the 9 were incorrectly identified as federal equipment on the equipment listing



Property Standard, 2 CFR 200.313(d) requires that property records be maintained that include, among other things, a description of the property and a serial number or other identification number. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft must be investigated.

How does this impact NU-RES?

“This finding, if repeated from prior year audit, will make your organization a high-risk recipient according to 2 CFR 200.520. Failure to adequately address this finding could result in your organization having to repay Federal funds received, receiving reduced Federal funds, and/or jeopardizing the receipt of future Federal funds.” - HHS

Corrective Action Plan

Community Education

NU-RES & Accounting Communication

Accounting Process Improvements

Questions or Concerns?

Helpful Links

[Asset+ \(FKA Asset Disposition Form\)](#)

[Capital Asset Policy](#)

AssetManagement@northeastern.edu

Thank you!

