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I am Being Audited, Now What?

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Session Objectives

- Identify the various types of audits
- Demystify the audit process from audit planning to reporting
- Identify common areas of compliance vulnerability
- Suggest efficient ways to mitigate risk.

Types of Audits

- Internal
- External
- Internal Auditors
(Single Audit)
- OIGs
- Sponsors

Legal Basis of Audits

- Chief Financial Officers Act
- Federal Information Security Modernization Act
- Payment Integrity Information Act
- Digital Accountability and Transparency Act
- Federal Financial Management Improvement Act

Audits Communication Process

1. Planning (Objectives, Scope, and Approach)
2. Entrance Conference (Documentation Review and Process Walkthroughs)
3. Fieldwork (Interviews and Transaction Testing)
4. Exit Conference aka Reporting (Strengths, Findings, and Recommendations)

Best Practices

1. Designate an audit liaison—an experienced leader
2. Provide a quiet location for the auditors
3. Be responsive and provide ONLY requested information
4. DON'T EVER falsify documents (often happens during the audit)
5. Avoid debating
6. Review past visits and audits

What Auditors Are Looking For?

1. Fraud
2. Duplicative Funding
3. Theft or Abuse of Government Funds
4. False Statements
5. Employee Misconduct
6. Financial Conflict of Interest Status
7. Plagiarism and Falsification/Fabrication of data

Criminal Cases-PI Fraud

1. Morgan State – Jha; Researcher indicted for Fraud involving SBIR awards to private Company; Abused position at University.
2. Penn State – Grimes; Researcher pleads guilty to multiple counts involving multiple agencies awards; Duplicate funding involving university and SBIR awards to a company; 3.5 years prison sentence & \$660,000 Restitution.
3. University of Louisville – Dean Felner; Plead guilty to \$2.25M misappropriated from 3 institutions; Sentenced to 5 years.
4. A 45-page Indictment charged Felner and a colleague with taking \$1.7 M from Rhode Island school and \$576,000 from U of L and attempting to embezzle another \$240,000 from U of L

Management Fraud

- TSU – Nye, Center Director at TSU, pleaded guilty to submitting False Statements related to travel and salary of \$25,000 support private business not disclosed to TSU – **sentenced to 6 months home confinement.**
- TSU then found duplicate travel from Nye's Research Site Director – Klentschy, a CA School District Superintendent. 68 Duplicate payments to the superintendent all charged to the School District which duplicated 27 other institutions. 11 Duplicate payments to his Science Center staff, cash returned to Superintendent. \$60,000 in duplicate travel payments and \$70,000 in consulting/speaking fees—**Superintendent was indicted for Wire Fraud and Theft of Program Funds.**

Common Areas of Compliance Vulnerability

Common Findings	Percentage of Audit Reports with Finding	Auditor Suggestions for Strengthening Controls
Unallowable Expenses	94%	Continually Monitor and Verify the Allowability of High-Risk Expenses
Inappropriately Applied Indirect Costs	83%	Strengthen Controls Over Applying Indirect Cost Rates
Inadequately Supported Expenses	67%	Ensure Award Recipients Create and Maintain Sufficient, Appropriate Documentation
Inappropriately Allocated Expenses	55%	Document and Justify Reasonable Allocation Methodologies
Non-Compliance with Policies and Procedures	50%	Regularly Review and Update Grant Management Policies and Procedures

Common Areas of Compliance Vulnerability

Unallowable Expenses

- Travel
- Participant Support Costs
- Salary & Wages
- Materials and Supplies
- Fringe Benefits
- Publication
- Consultant
- Subawards

Indirect Cost Rate Application

- Indirect Costs Applied Using Incorrect Rates
- Indirect Costs Applied to an Incorrect Base

Inadequately Supported Expenses

- Costs Claimed in ACM\$
- Internal Service Providers
- Travel
- Salary and Wages
- Consultant

Inappropriately Allocated Expenses

- Travel
- Materials and Supplies/Equipment
- Publication
- Student Stipends/Tuition Remission

Non-Compliance with Policies and Procedures

- Non-Compliance with Award Recipient Policies
- Non-Compliance with NSF Program-Specific Policies

Common Areas of Compliance Vulnerability

- Excessive Cost Transfers
- Unallowable Costs
- F&A Application
- Debarment

Case Study: CUNY's Hunter College

He said scuba diving in Fiji was 'research.' Now he owes the feds \$375K.

Dr. Parsons-Hietikko, a prominent HIV/AIDS researcher, improperly used federal research funds to enrich himself and take lavish scuba-diving trips in the Cayman Islands, Fiji, and Belize, among other locations. He was a rainmaker for Hunter College, securing an estimated \$55 million from the NIH between 1996-2018. Hunter College allowed the PI to travel the world at government expense and host alcohol-fueled events. The college approved the use of federal grant money to pay for the PI's scuba-diving adventures in exotic locales, which he claimed were for research. But he never produced documents that demonstrated any research that occurred. Hunter College improperly used NIH funds to pay the Center for HIV/AIDS Educational Studies and Training (CHEST) employees for work on outside projects with private clients.

- 1. How did Hunter College's Sponsored Research office fail the PI?**
- 2. How would you have handled this situation?**
- 3. Which important compliance checks were lacking here?**

QUESTIONS?

Contact Information

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References

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