



# UC San Diego

## Policy & Procedure Manual

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### ACCOUNTING PROCEDURES - GENERAL

#### Section: 300-5

Effective: 11/17/2023

Supersedes: 07/17/2012

Review Date: 11/17/2026

Issuance Date: 11/17/2023

Issuing Office: [Audit & Management Advisory Services](#)

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### AUDITS AND INVESTIGATIONS BY EXTERNAL AGENCIES

#### I. BACKGROUND

External audits of University of California San Diego campus and health sciences functions are performed by Federal, State, local government offices, and The Regents' audit firm. External audits include financial audits and reviews, pricing proposals, contract close-outs, on-site monitoring or remote site visits, and system audits. Audit & Management Advisory Services (AMAS) has responsibility for the oversight of external fiscal audit activities at UC San Diego.

Because it is the largest provider of Federal funds, the Department of Health and Human Services Office of Inspector General is designated as the University's cognizant audit agency. Other agencies which periodically review UC San Diego may include:

- California State Auditor
- California State Controller's Office
- County of San Diego
- Internal Revenue Service
- California Student Aid Commission
- Defense Contract Audit Agency (DCAA)
- National Science Foundation (NSF)
- Office of Naval Research (ONR)
- National Aeronautics and Space Administration (NASA)

External investigations may also be performed by the agencies listed above, or others, if information is received directly by the agency which alleges a violation of the terms and conditions of contracts or grants.

This policy outlines the scope, responsibilities and procedures that will be employed in coordinating and managing external agency audit and investigation activities at UC San Diego. This policy excludes campus activity by the auditors for The Regents as outlined in BUS-76, Engagements with The Regents' Audit Firm, as those activities are coordinated locally by the UC San Diego Controller.

#### II. POLICY

It is the policy of UC San Diego to comply fully with all financial, administrative and audit requirements that arise from its role as a recipient of public and other extramural funds; and to cooperate fully with external auditors or other agency officials conducting external investigations. All outside audit activity will be properly authorized, and effectively and consistently tracked and communicated. Further, required responses will be coordinated and communicated to management and external agencies.

### **III. EXTERNAL AUDITS**

#### **A. RESPONSIBILITIES**

1. It is the responsibility of the AMAS Director, or a delegated representative, to act as liaison for external fiscal audit activities at UC San Diego, with the exception of engagements with the Regents audit firm. This may include, but is not limited to, coordination and review of client responses; assistance in resolving questions and issues; coordination of interdepartmental meetings; tracking, documenting and reporting outside audit activities to campus and University management; and follow-up on agreed to corrective actions.

Specific AMAS duties include:

- a. Notifying the cognizant department administrator(s), Principal Investigator(s), or other designated Campus or Health Sciences representatives, and the Sponsored Projects Finance office, of the external audit.
- b. Arranging for appropriate workspace and facilities for the external auditors for on-site visits.
- c. Arranging a formal entrance conference for all appropriate Campus and Health Sciences representatives to clarify the scope of the audit, expected audit procedures, and necessary records and information, as determined necessary.
- d. Attending significant interim meetings concerning the status of the audit.
- e. Resolving questions and providing guidance to the cognizant department administration.
- f. Informing campus management if serious issues arise that require immediate attention and/or corrective action.
- g. Arranging an exit-conference at the close of fieldwork if feasible to discuss findings and recommendations.
- h. Distributing copies of the draft audit report(s) to the cognizant department administration or other designated Campus and Health Science representative for written management responses. Upon receipt of the management responses from the cognizant departments, AMAS will review responses for consistency, compliance with UC San Diego policy, and institutional perspective. AMAS will suggest and coordinate changes with management as needed.
- i. Distributing copies of the final audit report to the cognizant departments.
- j. Performing follow-up on significant external audit findings and recommendations to ensure that the cognizant office implements corrective action within agreed upon time frames.
- k. Maintaining complete and accurate files of the external audit activity handled by AMAS.
- l. On an ongoing basis, identifying significant external audit concerns from sources, such as the General Accounting Office and Health and Human Services Inspector General reports, and communicating these concerns on a proactive basis so that appropriate corrective action can be taken. This communication is accomplished through the Compliance, Audit, Risk, and Ethics (CARE) Committee meetings, External Audit Status Reports, and other forums as determined necessary.

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2. Responsibility for providing the requested information for external audit reviews resides with the cognizant department administrator(s), Principal Investigator(s), central offices (such as Office of Contract & Grant Administration, Sponsored Projects Finance, or other designated Campus and Health Sciences representatives).

Specific duties include:

- a. Notifying AMAS if an external audit request is received.
- b. Providing key personnel to be available during the external audit to answer external auditor inquiries and to provide supporting documentation.
- c. Notifying AMAS of significant issues that arise during the external audit.
- d. Initiating prompt management corrective actions on agreed-to external audit findings and recommendations.
- e. Preparing draft management responses and forwarding responses to AMAS no later than seven working days before the due date. Responses should include target dates for completing corrective actions.
- f. Requesting AMAS assistance during any phase of the external audit process as needed

For audits that are purely programmatic in nature, AMAS may defer coordination to departmental representatives.

**B. PROCEDURES**

1. Notices

AMAS will serve as the entry point for all external audit agencies. All notices of outside agency audits received directly by UC San Diego personnel other than AMAS will be referred to AMAS. Upon determination of the nature and scope of the review, AMAS will determine, in consultation with the department, the level of involvement appropriate for the review.

2. Audit Visits

Department of Health and Human Services and unannounced auditors and investigators from outside the University will be requested to present their credentials to the AMAS Director or a delegated AMAS employee. Access to University records will be withheld until authority has been verified.

3. Communication Process

AMAS will notify the cognizant department administrator(s), Principal Investigator(s), or other designated campus representatives that may be involved in the external audit and will generally schedule an entrance meeting. AMAS will maintain periodic communication with the external audit agency throughout the review.

AMAS will distribute copies of the draft report and final report upon receipt from the external auditor. AMAS will coordinate the management responses to the draft report and final report and forward a response for the institution as a whole to the external auditor. Extensions, if needed, will be coordinated with the external auditor.

4. Records

A working file of each audit will be prepared by AMAS and maintained in the audit files subject to University records retention guidelines.

5. Status Reporting

AMAS will prepare and distribute an New Starts and External Audit Status Report to the Chief Ethics and Compliance Officer (CECO) to provide status update external audits which are currently active or which have been closed during the current fiscal year. Periodic updates on external audit activity may be provided to the UC San Diego CARE Committee as appropriate.

**IV. EXTERNAL INVESTIGATIONS**

**A. RESPONSIBILITIES**

1. It is the responsibility of the AMAS Director, or a delegated representative, to act as liaison for external investigative activities related to use of sponsored research funds. At all times during an external agency investigation, AMAS's responsibility is to act in the best interests of the University as a whole.

Specific AMAS duties include:

- a. Notifying the UC San Diego Local Designated Official of the external agency investigation.
  - b. Notifying the cognizant University administrator(s), Principal Investigator(s), or other designated campus or Health Sciences representatives as appropriate, of the external investigation. The timing of such notifications may vary so as to not compromise the external agency's investigation, or based on agency protocols.
  - c. Attending significant interim meetings concerning the status of the investigation.
  - d. Resolving questions and providing guidance to the cognizant department administration.
  - e. Informing campus management if serious issues arise that require immediate attention or corrective action.
  - f. Distributing copies of the draft investigation report, if any, to involved University parties for written management responses. Upon receipt of the management responses from the cognizant departments, AMAS will review responses for consistency, compliance with UC San Diego policy, and institutional perspective. AMAS will suggest and coordinate changes with management as needed. Distribution of draft reports may be restricted based on agency investigation protocols.
  - g. Distributing copies of the final investigation report, if received, to the cognizant departments.
  - h. Performing follow-up on significant external investigation findings and recommendations to ensure that the cognizant office implements corrective action within agreed upon time frames.
  - i. Maintaining complete and accurate files of the external investigation activity handled by AMAS.
  - j. On an ongoing basis, identifying any recurring external investigation topics and communicating to appropriate University management these concerns on a proactive basis.
2. Responsibility for providing the requested information for external investigative reviews resides with the cognizant department administrator(s), Principal Investigator(s), or other designated Campus and Health Sciences representatives.

Specific duties include:

- a. Notifying AMAS if an external investigation request is received.
- b. Providing key personnel to be available during the external investigation to answer external agency inquiries and to provide supporting documentation.
- c. Notifying AMAS of significant issues that arise during the external investigation.
- d. Initiating prompt management corrective actions on agreed-to external investigation findings and recommendations.
- e. Preparing draft management responses and forwarding responses to AMAS for communication to the external investigative agency.
- f. Requesting AMAS assistance during any phase of the external investigation process as needed.

## **B. PROCEDURES**

Investigation protocols followed by external agencies and related University actions and responses will differ on a case-by-case basis. When investigations are conducted by external agencies, the primary role of AMAS is to act in the best interest of the institution as a whole. Principal Investigators should be advised to consult with their Department Chair and/or Dean should circumstances arise for which additional consultation from a faculty perspective is desired.

### 1. Notices

When possible, AMAS serves as the entry point for all external investigative agencies related to use of sponsored research funds. Occasionally, federal law enforcement representatives may contact employees directly. All notices of external agency investigations received directly by UC San Diego personnel other than AMAS should be referred to AMAS.

### 2. Audit Visits

Any unannounced investigators from outside the University will be requested to present their credentials to the AMAS Director or a delegated AMAS employee. Access to University records will be withheld until authority has been verified.

### 3. Communication Process

AMAS will coordinate with administrators as needed based on the agency concern, the information requested, and the sensitivity of the investigation. This may include officials from the Office of Ethics & Compliance, Office of Research Affairs, the Sponsored Projects Finance office, the Office of Contracts & Grants, the Office of the Institutional Research Board, Animal Welfare, Campus Counsel, and others, depending on the nature of the review.

Every effort will be made to involve the appropriate University officials, while at the same time maintaining individual employee confidentiality to the extent possible within the limitations of law and policy. However, the identity of parties named in federal investigations may become known for reasons outside of the control of AMAS or University administrators.

AMAS may not be provided with specific information from the investigating agency to be able to understand the concern under review, and may not be provided with results of the investigative review prior to or after the investigation has been completed. When necessary, UC San Diego will request access to investigation results available under relevant federal or state information access laws. In each circumstance, AMAS will maintain communication with University officials on the status of the review to the extent possible.

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If draft reports are provided for University review, AMAS will coordinate the management responses among all parties involved and forward a response for the institution as a whole to the external investigative agency. AMAS will also coordinate any request for extension with the external investigative agency. Distribution of draft reports may be restricted based on agency investigation protocols.

#### 4. Records

A working file of each external investigation coordinated by AMAS will be prepared by AMAS and maintained in the working paper files subject to University records retention guidelines.

## V. REFERENCES

- A. PPM 10-11, Audit & Management Advisory Services (AMAS)  
<http://adminrecords.ucsd.edu/ppm/DOCS/10-11.HTML>
- B. BFB, BUS-76, Engagements with the Regents' Audit Firm,  
<https://policy.ucop.edu/doc/3420343/BFB-BUS-76>
- C. University of California Contract and Grant Manual (Chapter 4)  
<http://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter4/index.html>
- D. PHS Grants Policy Statement, Public Health Services division of HHS
- E. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards  
<https://www.federalregister.gov/documents/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>

## VI. REVISION HISTORY

11/17/2023 Policy revised and reissued.