
AUDITS BY EXTERNAL AGENCIES

I. 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, March 15, 1990

<http://www.ucop.edu/ucophome/policies/bfb/bus76.html>

- C.** University of California Contract and Grant Manual (Chapter 4)

<http://www.ucop.edu/raohome/cgmanual/chap04.html>

- D.** PHS Grants Policy Statement, Public Health Services division of HHS

- E.** Federal Auditing Information Service, NACUBO

<http://www.nacubo.org/>

- F.** A-21 Cost Principles for Educational Institutions, Office of Management & Budget (OMB)

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a021/a21_2004.pdf

- G.** A-50 Audit Followup, OMB

http://www.whitehouse.gov/omb/circulars_a050/

- H.** A-88 Indirect cost Rates, Audit, and Audit Followup at Educational Institutions, OMB

- I.** A-110 Uniform Administrative Requirements for Grants and Agreements with Universities, Hospitals, and Other Nonprofit Organizations, OMB

http://www.whitehouse.gov/omb/circulars_a110/

- J.** A-133 Audits of Institutions of Higher Education, OMB

http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf

II. BACKGROUND

External audits of campus and Health Sciences functions are performed by Federal, State, local government offices, and the Regents' audit firm. External audits include the financial and A-133 audits, pricing proposals, contract close-outs, on-site monitoring, and system audits. Audit & Management Advisory Services has been delegated responsibility for the oversight of external audit activities at UCSD.

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 UCSD include:

- California Bureau of State Audits
- 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)

This policy outlines the scope, responsibilities and procedures that will be employed in coordinating and managing external audit agency activities at UCSD, excluding campus activity by the auditors for the Regents as outlined in BUS-76, Engagements with The Regents' Audit Firm.

Note: These procedures do not specifically apply to the handling of investigations performed by external agencies. 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.

III. POLICY

It is the policy of UCSD 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. 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.

IV. PROCEDURES

A. Notices

AMAS will serve as the entry point for all external audit agencies. All notices of outside agency Audits received directly by UCSD personnel other than AMAS will be referred to AMAS.

B. 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 AVC, AMAS or a delegated AMAS employee. Access to University records will be withheld until authority has been verified.

C. Records

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

D. 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 forward a response for the institution as a whole to the external auditor. Extensions, if needed, will be coordinated with the external auditor.

To keep UCSD campus and Health Sciences personnel apprised of the external audit activities, AMAS will prepare and distribute the following reports:

- New Starts and External Audit Status Reports - The External Audit Status Report references external audits which are currently active or which have been closed during the current fiscal year.
- Audit Topic Updates (as needed). The Audit Topic Update will provide information on potentially controversial audit issues.

These periodic updates on external audit activity will be provided to the UCSD Compliance Audit Risk and Ethics (CARE) Committee.

V. RESPONSIBILITIES

- A. It is the responsibility of the AVC-AMAS, or a delegated representative, to act as liaison for external audit activities at UCSD. 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:

1. Notifying the cognizant department administrator(s), Principal Investigator(s), or other designated campus or Health Sciences representatives, and Extramural Funds of the external audit.
2. Arranging for appropriate workspace and facilities for the external auditors.
3. 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.
4. Attending significant interim meetings concerning the status of the audit.
5. Resolving questions and providing guidance to the cognizant department administration.

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6. Informing campus management if serious issues arise that require immediate attention.
 7. Arranging an exit-conference at the close of fieldwork to discuss findings and recommendations.
 8. Distributing copies of the draft audit report 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 UCSD policy, and institutional perspective. AMAS will suggest and coordinate changes with management as needed.
 9. Distributing copies of the final audit report to the cognizant departments.
 10. Performing follow-up on significant external audit findings and recommendations to ensure that the cognizant office implements corrective action within agreed upon time frames.
 11. Maintaining complete and accurate files of the external audit activity handled by AMAS.
 12. 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 CARE Committee meetings, External Audit Status Reports, and Audit Topic Updates.
- B.** Responsibility for providing the requested information for external audit reviews resides with the cognizant department administrator(s), Principal Investigator(s), or other designated campus and Health Sciences representatives.

Specific duties include:

1. Notifying AMAS if an external audit request is received.
2. Providing that key personnel are available during the external audit to answer external auditor inquiries and to provide supporting documentation.
3. Notifying AMAS of significant issues that arise during the external audit.
4. Initiating prompt management corrective actions on agreed-to external audit findings and recommendations.
5. 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.
6. Requesting AMAS assistance during any phase of the external audit process as needed.