



UC San Diego

Policy & Procedure Manual

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ACCOUNTING PROCEDURES - GENERAL

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AUDITS AND INVESTIGATIONS BY EXTERNAL AGENCIES

I. BACKGROUND

External audits of University of California, San Diego (UCSD) campus and health sciences functions are performed by Federal, State, local government offices, and The Regents' audit firm. External audits include financial and A-133 audits, pricing proposals, contract close-outs, on-site monitoring, and system audits. Audit & Management Advisory Services (AMAS) has been delegated responsibility for the oversight of external fiscal 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)

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 UCSD, excluding campus activity by the auditors for The Regents as outlined in BUS-76, Engagements with The Regents' Audit Firm.

II. 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 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 Assistant Vice Chancellor (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:

- a. Notifying the cognizant department administrator(s), Principal Investigator(s), or other designated campus or Health Sciences representatives, and the Office of Post Award Financial Services, of the external audit.
- b. Arranging for appropriate workspace and facilities for the external auditors.
- 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 UCSD 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 CARE Committee

meetings, External Audit Status Reports, and Audit Topic Updates as determined necessary.

2. 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:

- a. Notifying AMAS if an external audit request is received.
- b. Providing that key personnel are 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

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 UCSD personnel other than AMAS will be referred to AMAS.
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 Assistant Vice Chancellor, AMAS 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.

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.

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.

IV. EXTERNAL INVESTIGATIONS

A. RESPONSIBILITIES

1. It is the responsibility of the Assistant Vice Chancellor - AMAS, or a delegated representative, to act as liaison for external investigative activities. 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. 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 cognizant University administrator(s), Principal Investigator(s), or other designated campus or Health Sciences representatives, and Extramural Funds of the external investigation.
- b. Attending significant interim meetings concerning the status of the investigation.
- c. Resolving questions and providing guidance to the cognizant department administration.
- d. Informing campus management if serious issues arise that require immediate attention or corrective action.
- g. 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 UCSD policy, and institutional perspective. AMAS will suggest and coordinate changes with management as needed.
- h. Distributing copies of the final investigation report, if received, to the cognizant departments.
- i. Performing follow-up on significant external investigation findings and recommendations to ensure that the cognizant office implements corrective action within agreed upon time frames.
- j. Maintaining complete and accurate files of the external investigation activity handled by AMAS.
- m. 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 that key personnel are 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. Occasionally, federal law enforcement representatives may contact employees directly. All notices of external agency investigations received directly by UCSD 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 Assistant Vice Chancellor - AMAS 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 Research Affairs, the Office Post-Award Financial Services, the Office of Contracts & Grants, the Human Research Protections Program, 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. Involved parties named in federal investigations should be cautioned that their identity may become known for reasons outside of the control of AMAS or University administrators.

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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, UCSD will request access to investigation results available under relevant federal or state information access laws. In each circumstance, AMAS will maintain full communication with University officials on the status of the review to the extent possible.

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.

4. Records

A working file of each external investigation 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, 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/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. 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 Follow-up, (OMB) http://www.whitehouse.gov/omb/circulars_a050/
- H. A-88 Indirect cost Rates, Audit, and Audit Follow-up 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