

Contract and Grant Manual

AUDIT

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4-100 AUDITS OF EXTRAMURAL FUNDS - GENERAL

All performance under extramural funding agreements (contracts, grants, and cooperative agreements) is subject both to internal and external audit. The systemwide [Office of the Chief Financial Officer](#) is responsible for coordination, negotiation and resolution of audits of the University by the University's external auditor under [OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations](#). The systemwide [Office of Ethics, Compliance and Audit Services](#) is responsible for coordinating or designating responsibility for coordination of all other University audits including those by federal agencies and the State of California as well as the systemwide Internal Audit Program (audits, investigations and advisory services). Chancellors, the Lawrence Berkeley National Laboratory (LBNL) Director, the Vice President--Agriculture and Natural Resources, and certain other officers also have specific responsibilities with respect to internal and external audits. Campuses are responsible for any specific pre- or post-award audits of awards to their campus.

4-200 INTERNAL AUDIT

All administrative performance under extramural funding agreements is subject to audit by the University internal auditors on behalf of The Board of Regents.

4-300 EXTERNAL AUDIT

As the governing body of a Corporation administering a public trust, The Board of Regents of the University of California is responsible for the security of University funds, including extramural funds. Its [Committee on Compliance and Audit](#) recommends to the Board a firm of independent certified public accountants to audit the University's financial statements on an annual basis in accordance with generally accepted auditing standards and to make such studies as are authorized by the Committee for the information of the Board. For the purpose of application of provisions which follow, the firm appointed is not considered an extramural agency.

Extramural funding agreements normally provide that the sponsor shall have access to pertinent records in order to perform audits. The Department of Health and Human Services is the cognizant agency assigned to perform federal audits of federal funding agreements at the University. Individual agencies may also conduct audits of their funding.

4-400 AUDITS OF EXTRAMURAL FUNDING AGREEMENTS BY EXTRAMURAL FUNDING AGENCIES

With regard to audits concerning individual extramural funding agreements and University compliance with sponsor requirements, the [Vice President and Chief Compliance and Audit Officer in the systemwide Office of Ethics, Compliance and Audit Services](#) has responsibility for assuring that audits are conducted, and audit issues are resolved, in the best interest of the University. Chancellors, the LBNL Director, and the Vice President--Agriculture and Natural Resources are responsible for:

1. Immediately communicating to the OP Office of Ethics, Compliance and Audit Services any request from any extramural audit agency or sponsor, both federal and non-federal, concerning an audit, (excluding routine contract or grant closeout audits), investigation, or review of an extramural funding agreement, the University's indirect cost rates or their application, or the University's compliance with sponsor requirements;
2. Making appropriate arrangements and providing reasonable assistance for the audit team; and
3. Providing copies of audit reports for review and coordination by the systemwide Office of Ethics, Compliance and Audit Services if the audit report:
 - (i) raises a policy issue which may set a precedent for one campus or for more than one campus; questions the adequacy of University policies or procedures; takes issue with University compliance with sponsor regulations or requirements;

raises an issue involving the interpretation of sponsor or University policy; or
raises an issue which affects more than one of a group or a class of funding
agreements;

(ii) questions costs in excess of \$10,000.

4-500 AUDIT RESOLUTION

The Senior Vice President and Chief Compliance and Audit Officer is the University Officer responsible for monitoring and providing assurance that audits, other than the audit under OMB Circular A-133, are resolved by management in the best interest of the University. The systemwide [Financial Accounting under the Associate Vice President and Systemwide Controller](#) is designated by the Executive Vice President and Chief Financial Officer as responsible for reviewing and coordinating responses to the University's OMB A-133 audit and responding to disallowances pertaining to extramural funding agreements under that audit.

The responsibility for the negotiation and resolution of audit disallowances shall be as follows:

Chancellors, the LBNL Director, and the Vice President--Agriculture and Natural Resources develop responses to and negotiate resolution of audit reports on extramural funding agreements administered within their areas of responsibility if the report is *not* required under [Section 4-400](#) to be submitted for review and coordination.

Regarding audit reports which are required by Section [4-400](#) to be submitted to the Senior Vice President and Chief Compliance and Audit Officer, campuses shall develop their responses to the audit finding(s) and issue(s) and submit them to the Chief Compliance and Audit Officer for review and coordination prior to communication of the University position to the sponsor agency. Campuses may respond directly to the sponsor agencies on audit reports that express no opinion and need not send these responses to the Chief Compliance and Audit Officer. The systemwide Office of Ethics, Compliance and Audit Services, in conjunction with the Office of the General Counsel, will review audit reports and campus negotiating positions for policy and precedent implications. Depending on the nature of the audit issues, the Chief Compliance and Audit Officer, in collaboration with the campus, will determine the next steps for audit resolution with the external agency.

4-600 FUNDING OF COST DISALLOWANCES

It is the responsibility of the Chancellor, LBNL Director, or Vice President--Agriculture and Natural Resources to initiate funding actions to satisfy audit settlements. The following steps should be taken:

- a. Campus should select an appropriate fund source depending on the nature and circumstances of the audit and disallowance.

b. If the appropriate fund source is federal contract and grant overhead (fund 69750), the procedures governing the write-off of disallowed claims as set forth in the *Accounting Manual*, [Chapter C-557-23](#), should be followed.

c. If the appropriate action is the write-off of a State or private agreement claim, the procedures governing the write-off of disallowed claims as set forth in the *Accounting Manual* [Chapter R-212-2](#) should be followed.

EXTERNAL REQUIREMENTS--FEDERAL

4-F01 OMB [Circular No. A-133, Audits of States, Local Governments, and Non-profit Organizations](#)

PURPOSE

OMB Circular A-133 is issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156. It sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards.

APPLICABILITY

Federal funds received by states, local governments and non-profit organizations including higher education institutions.

SUMMARY OF PROVISIONS

Non-Federal entities that expend \$500,000 or more in a year in federal awards shall have a single audit conducted in accordance with section __.500 of this Circular except when they elect to have a program-specific audit conducted in accordance with section __.200 (c) of the Circular.

Section __.500 of the Circular below summarizes the scope of the audit requirements:

(a) General. The audit shall be conducted in accordance with GAGAS. The audit shall cover the entire operations of the auditee; or, at the option of the auditee, such audit shall include a series of audits that cover departments, agencies, and other organizational units which expended or otherwise administered Federal awards during such fiscal year, provided that each such audit shall encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which shall be considered to be a non-Federal entity. The financial statements and schedule of expenditures of Federal awards shall be for the same fiscal year.

(b) Financial statements. The auditor shall determine whether the financial statements of the auditee are presented fairly in all material respects in conformity with generally accepted accounting principles. The auditor shall also determine whether the schedule of

expenditures of Federal awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

(c) Internal control. (1) In addition to the requirements of GAGAS, the auditor shall perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

LEAD AGENCY

[Office of Management and Budget](#)

IMPLEMENTING REGULATIONS

Circular A-133 is issued under the authority of [31 U.S.C. sections](#) 503, 1111, and 7501 *et seq.* and Executive Orders 8248 and 11541.

PRIMARY UNIVERSITY RESPONSIBILITY

OP [Associate Vice President and Systemwide Controller](#) - Financial Accounting under the Chief Financial Officer

UNIVERSITY POLICY IMPLEMENTATION

[BUS-76, Engagements with The Regents' Audit Firm](#)

[RMP-2, Records Disposition Program and Procedures](#)