Federal R&D Audit

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Later this summer, folks from KPMG, will stop in to audit our federal R&D. Two months remain to make sure all is well, to prevent you, me, and the researchers from going to jail!
Audit Schedule

- **Period Covered:** FY 2003

- **Initial Fieldwork – July 28, 2003**
  - Approximately 1 week

- **Final Fieldwork – Fall 2003**
  - Approximately 2 or 3 days
Audit Scope (Limited)

- Cash Management
- Procurement
- Allowable Costs
Allowable Costs

- What costs are allowable?

*Costs that are reasonable, allocable to sponsored agreements, and consistently applied.*

OMB Circular A-21, Section C.2.

Any cost that is **NOT** allowable!
Common Unallowable Costs

• Advertising Costs (not associated with recruiting)
• Alcoholic Beverages
• Alumni Activities
• Bad Debts
• Contingency Provisions
• Donations and Contributions
Common Unallowable Costs (continued)

- Entertainment Costs
- Fines and Penalties
- Fundraising Costs
- Lobbying Costs
- Losses on Other Sponsored Agreements
- Membership Costs for Civic or Social Orgs
- Selling and Marketing Costs
Audit Preparation

- Review FY03 costs on federal agreements (funds 77xx)
- Identify all costs that **MIGHT** be considered unallowable
- Make necessary adjustments, where appropriate and not glaring
Resources

- **Office of Management and Budget (OMB)**
  - Circular A-21 – Cost Principles for Educational Institutions
    
    [http://www.whitehouse.gov/omb/circulars/a021/a021.html](http://www.whitehouse.gov/omb/circulars/a021/a021.html)

- **Cost Accounting Standards Board (CASB)**
  - Cost Accounting Standard (CAS) 9905.505 – Accounting for Unallowable Costs – Educational Institutions