

# Audit Year in Review

Lessons Learned from Recent  
Research & Development Audits

# Introductions



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# Objectives



Understand the recent shifts in the audit landscape.



Identify key focus areas in OIG work plans.



Explore audit trends and overall themes in FY24 audit data.



Explore key audit examples and identify areas for institutional growth and preparation.



Take away "lessons learned" from federal audits to help your institutions manage the high risk financial issues in award management.

# Poll Question #1

What best describes your experience with audits of sponsored research programs?



I've led or coordinated audits

1



I've participated in audits

2



I've supported audit prep but not directly involved

3



I'm new to audit processes

4

# Audit & Research Funding Landscape

The research funding and oversight landscape has changed drastically in the last year, with sweeping regulatory changes that impact what research is funded and the stability of that funding.

- **Mass Dismissals of Inspector Generals (IGs):** Starting in January 2025, a wave of terminations and resignations affected IGs across federal agencies, signaling a broader shift toward centralized political oversight and reduced OIG independence.
- **Political Oversight of Research Funding:** The August 7, 2025 Executive Order mandates that federal agencies appoint “senior appointees” to oversee discretionary grantmaking. These appointees are empowered to override peer review recommendations, which are now explicitly deemed “advisory” rather than determinative. This marks a significant departure from traditional scientific autonomy in funding decisions.
- **Prioritization of “Gold Standard Science”:** The Executive Order redefines funding priorities to emphasize reproducibility, integrity, and measurable outcomes. It criticizes prior grants for supporting ideologically driven or low-impact research and calls for a redirection toward projects with demonstrable public benefit.
- **Uniform Guidance Revisions:** The 8/7 Executive Order instructs the Office of Management and Budget (OMB) to revise the Uniform Guidance (2 C.F.R. Part 200) to:
  - Limit the use of discretionary grant funds for facilities and administrative (F&A) costs.
  - Require written justification for each drawdown.
  - Mandate termination for convenience clauses in all discretionary grants
- **Audit Firm Strategy Shift to Centers of Excellence (CoEs):** Single audits increasingly rely on CoEs that specialize in complex audit domains. While this approach promotes standardization and efficiency, it also reduces local context and flexibility. Many CoEs operate offshore, raising concerns about responsiveness and relevance to unique institutional scenarios.

# Current OIG Workplans

## HHS OIG



- Grant Award Recipients' Compliance with Federal Funding Accountability and Subaward Reporting Requirements
- Audit of NIH's Oversight of the All of US Research Program Award Recipients
- Cybersecurity Testing
- NIH Grant Closeout Process
- NIH Contract Closeout Process

[Source: HHS OIG Work Plan Items](#)

## NSF OIG



- Audits of NSF Award Recipients
- Audits of Subaward Management and Spending
- Compliance with the Federal Information Security Modernization Act of 2014
- Review of Compliance with the Payment Integrity Information Act of 2019
- Purchase Card Risk Assessment
- Audits of NSF's Financial Statements

[Source: NSF OIG FY25 Work Plan](#)

Other OIG Workplans: available at OIG sites or through [oversight.gov](https://www.oversight.gov).

# Welcome to Oversight.gov

Home to the work of the federal Inspector General community and the new home of the Council of the Inspectors General for Integrity and Efficiency (CIGIE).

## Search Reports

Search audits, investigations, evaluations, and special reviews from Offices of Inspectors General that are members of CIGIE.

[Search Reports](#)

## Search Recommendations

Search the Oversight.gov database for Open Recommendations for which management has not yet completed final corrective actions.

[Search Recommendations](#)

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#### South Florida Telecom Company and its CEO Pay \$128 Million and CEO is Sentenced to 5 Years for Massive Government Program Fraud

South Florida Telecom Company and its CEO Pay \$128 Million and CEO is Sentenced to 5 Years for Massive Government Program Fraud

### Trending Reports

U.S. Treasury's Role with the Customs Revenue Function – Trade Facilitation and Trade Enforcement Act of 2015, Section 112

[View Report](#) →

Unimplemented Audit Recommendations and Potential Cost Savings as of September 30, 2024

[View Report](#) →

# Analyze government spending over time

[Start Searching Awards](#)

[Learn About USAspending.gov](#)

USAspending is the official open data source of federal spending information, including information about federal awards such as contracts, grants, and loans.

▬ Pause text animation

So far this year, the federal government plans to spend **\$7.53 Trillion** including...

**\$118.04 Billion**  
on **Transportation**

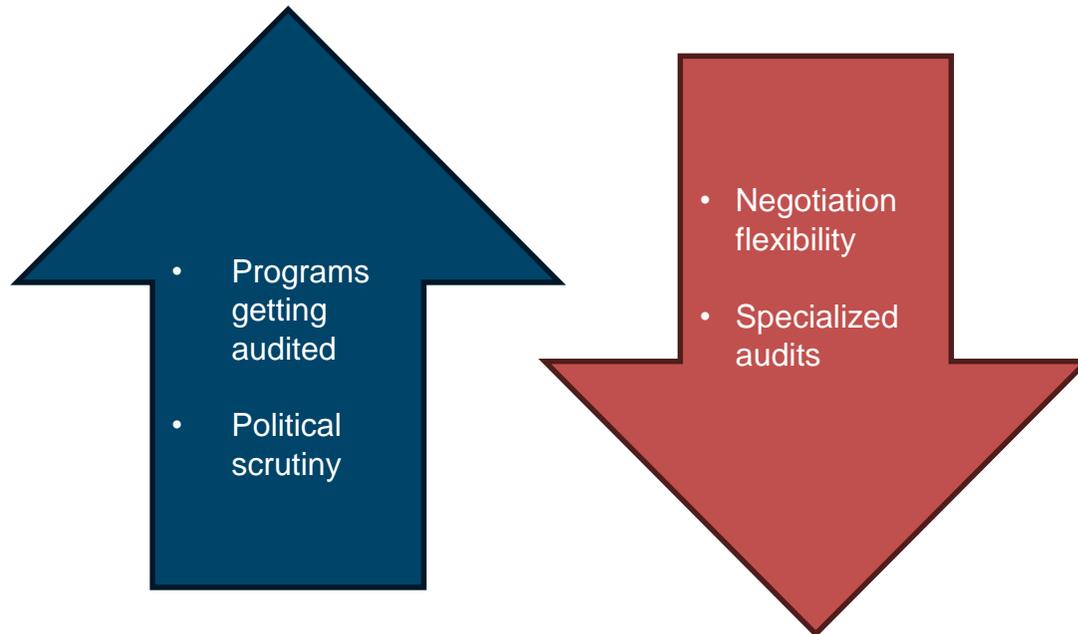
**\$54.10 Billion**  
on **Energy**

**\$48.53 Billion**  
on **Agriculture**

[See more breakdowns of federal spending](#)

# Audit & Research Funding Landscape

The burden of audits for institutions has increased, with requirements for **more documentation, approval layers, and political scrutiny**. More than ever, **strong audit controls should be an institutional priority** as we navigate this turbulent landscape.



# Poll Question #2

Which area poses the greatest challenge for your institution in preparing for audits?



Documentation and record retention

1



Staying current with federal regulations

2



Internal controls and compliance

3



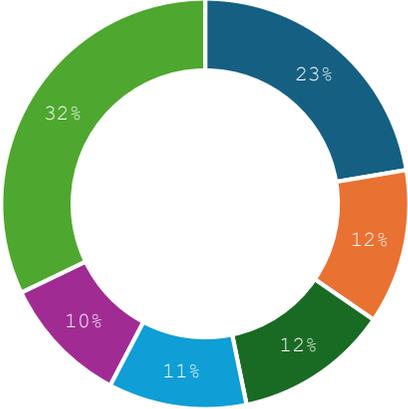
Subrecipient monitoring

4

# Top 5 R&D Audit Issue Categories in 2024<sup>1</sup>

Rank	Categories	Description
1	Procurement/ Suspension and Debarment	Concerns related to compliance with procurement rules and identifying parties excluded from federal contracting.
2	Allowable cost/cost principles	Issues with whether costs are necessary, reasonable, allocable, and compliant with federal and accounting standards.
3	Subrecipient Monitoring	Matters involving oversight responsibilities to ensure subrecipients comply with federal requirements and use funds appropriately.
4	Equipment/ Real property management	Focuses on ensuring federally funded assets are accurately recorded, safeguarded, and used in accordance with grant requirements.
5	Activities allowed or unallowed, Allowable cost/cost principles	Issues with both cost allowability/cost principles as well as whether program activities comply with federal requirements and are permitted under the terms of the award.

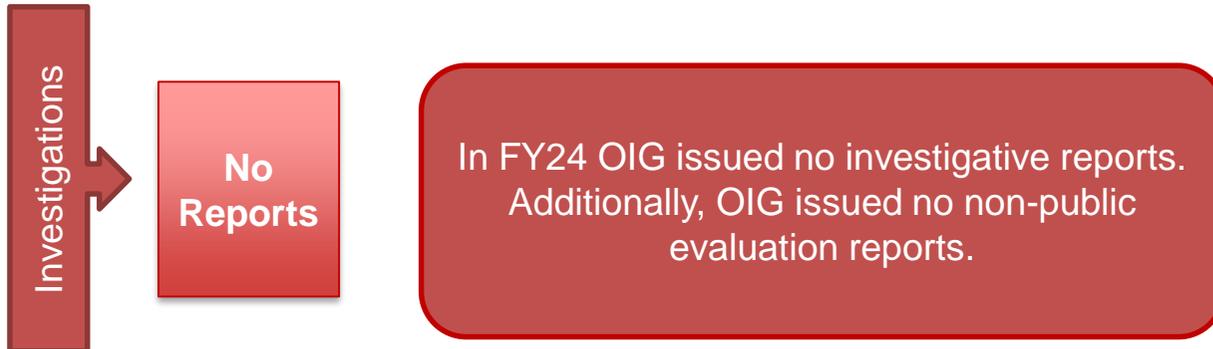
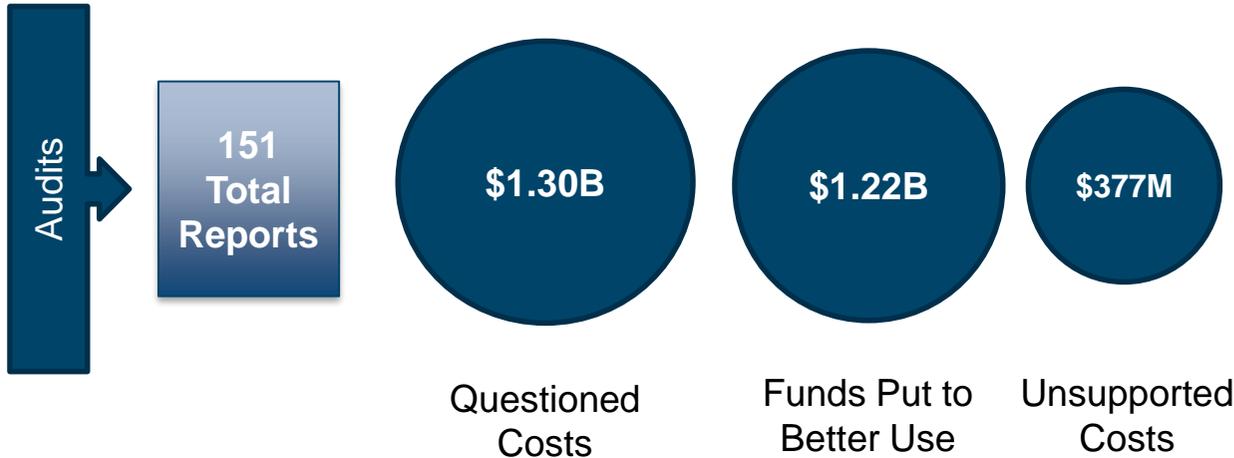
Single Audit Issue By Category: R&D Audits



- Procurement/Suspension and debarment
- Allowable costs/cost principles
- Subrecipient monitoring
- Equipment/Real property management
- Activities allowed or unallowed, Allowable costs/cost principles

<sup>1</sup>See Appendix A for more information about R&D Audits from 2024

# HHS Audits and Investigations FY24 Overview<sup>1</sup>



## Audits

In FY24 questioned costs for HHS awards totaled \$1.30 billion<sup>2</sup>

- The government tests a percentage of the institution's total agency expenditures and then questions specific charges, then they determine an amount that needs to be paid back to the sponsor.

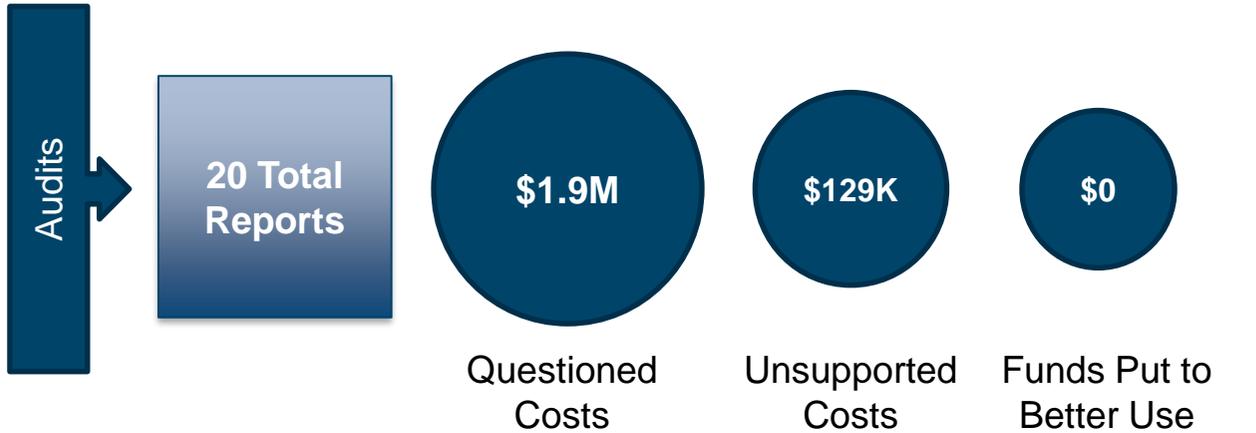
## Investigations

Investigations are reports that identify or bring renewed attention to systemic weaknesses or vulnerabilities within HHS programs and recommend administrative, procedural, policy, regulatory, or legislative change to correct or minimize the problems. No investigative reports were issued in FY24.

<sup>1</sup>All data from HHS-OIG 2024 Semiannual Reports to Congress

<sup>2</sup>Most is likely Medicare and Medicaid and only a tiny fraction of the \$1.30 B is NIH or research related.

# NSF Audits and Investigations FY24 Overview<sup>1</sup>



### Audits

In FY24 questioned costs for NSF awards totaled \$1.9 million

- The government tests a percentage of the institution's total agency expenditures and then questions specific charges, then they determine an amount that needs to be paid back to the sponsor.



### Investigations

Other investigation outcomes included indictments, criminal convictions, compliance plans Government-wide Suspensions, Debarments, and Voluntary Exclusions

<sup>1</sup>All data from NSF-OIG 2024 Semiannual Reports to Congress

# NSF Case Study 1: Private Research Institution

Audit Focus

**Subaward Costs**

Questioned Costs

**\$1,049,082**

Findings

**8**

## Key Findings

- \$936,125 of unallowable expenses
- Payroll: Inappropriately allocated salary expenses and fringe benefit rate application errors
- Internal Controls: Non-compliance with federal financial management requirements, institutional policies, and subaward T&Cs
- Subaward approvals. Documented prior approval is necessary.

## Key Takeaways

- Lack of documentation continues to be an area of audit focus
- Salary must be charges based on actual effort rather than based on approved subaward budgets
- Institution lacked sufficient policies and procedures to ensure only allowable costs are charges to awards

# NSF Case Study 2: Private Research Institution

Audit Focus

**Subaward Costs**

Questioned Costs

**\$661,353**

Findings

**7**

## Key Findings

- \$437,025 of inadequately supported and \$214,887 of unallowable expenses
- Payroll: Fringe benefit rate application errors
- Internal Controls: Non-compliance with federal financial management requirements, institutional policies, and subaward T&Cs
- **The institution generally disagreed with the findings included in the audit report and only agreed to reimburse NSF for \$72,308.**

## Key Takeaways

- Internal controls for indirect costs continue to be essential to compliance maintenance of subawards
- Lack of documentation from international subawards contributed to \$388,311 in questioned costs that were later resolved

# NSF Case Study 3: Public Research Institution

Audit Focus

**Cost compliance**

Questioned Costs

**\$196,047**

Findings

**5**

## Key Findings

- \$22,538 unallowable costs, \$92,865 unsupported service center costs, and \$80,644 improperly allocated expenses
- Payroll: salary and fringe benefits misallocated across awards
- Internal Controls: inadequate documentation for internal service center charges; non-compliance with federal cost principles and UNL policies; improper allocation of publication and equipment expenses
- Indirect costs: rate misapplied to MTDC base; proposed rates used without verification against NICRA

## Key Takeaways

- Emphasis on strengthening internal controls, documentations, and policy compliance
- Insufficient controls for indirect rates can contribute to misapplications of rates especially during rate changes
- This audit covered 328 NSF awards totaling \$71.1M. Findings can help to strengthen internal controls and lack or findings can point to well maintained policies and procedures

# NSF Case Study 4: Public Research Institution

Audit Focus

**Research Center**

Questioned Costs

**\$12,282**

Findings

**3**

## Key Findings

- \$12,282 of unallowable expenses
- Payroll: \$2460 in unsupported undergraduate payroll costs
- \$6,805 in promotional items (e.g. branding, mugs, apparel)
- \$3,017 in excessive meal costs exceeding GSA per diem rates
- Failure to track program income and expenditures separately

## Key Takeaways

- It is essential to train staff and enforce cost allowability principles
- All charges whether meals, payroll, or small purchases must be scrutinized and compared to cost allowability standards
- Maintaining clear documentation of program income continues to be emphasized in audit findings

# HHS Case Study 5: Public Medical College

Audit Focus  
**COI and Cost Allowability**

Questioned Costs  
**\$7,542,821**

Findings  
**3**

## Key Findings

- The College used budget estimates instead of actual activity to claim \$7.5 million in salaries, fringe benefits, and indirect costs
- Key individuals assigned to NIH awards did not complete required FCOI training and disclosure forms
- The college claimed unallowable NIH award costs
- **The College generally disagreed with the findings but agreed with the majority of recommendations.**

## Key Takeaways

- Lack of detail in the College's effort reporting resulted in errors going undetected.
- FCOI requirements must be enforced and validated for all key individuals
- Internal controls remain essential in determining cost allowability

# Audit Best Practices

## Key Takeaways: Promising Practices<sup>1</sup>

- **High-Risk Expenses Continuously.** Avoid unallowable costs (e.g., travel, fringe, subawards) by implementing proactive expense monitoring—not just at closeout.
- **Apply Indirect Costs Accurately.** Ensure correct use of MTDC bases and NICRA-approved rates to prevent misapplication.
- **Maintain Robust Documentation.** Require sufficient and appropriate records to support all claimed expenses, including internal service charges and consultant fees.
- **Justify Allocation Methodologies.** Document rationale for allocating shared costs (e.g., supplies, stipends) to ensure they reflect benefit to the award.
- **Review and Update Policies Regularly.** Keep grant management procedures current and aligned with NSF and institutional requirements.



<sup>1</sup> [Promising Practices for NSF Award Management](#)

# Opportunities for Improvement

## Understand Lessons Learned



Review work plans and completed audits to identify key areas of interest.

## Leverage Other Audit Activity



Coordinate with internal audit, integrate your single audit process, and use subrecipient monitoring reviews to strengthen oversight.

## Make Enhancements



Review your institutional practices and policies for connections to audit findings  
Improve reporting and data capture.

## Document Updates



Maintain clear records concerning actions taken and changes made to policies and procedures.

# 2025 and Beyond

## Greater Demand for Public Accountability

Institutions face rising expectations to justify both direct and indirect costs with transparency and rigor.



## Efficiency Expectations Amid Funding Shifts

Anticipated changes in federal funding may drive pressure to demonstrate more efficient use of awarded funds



## Executive Orders Increasing Grantee Burden

Initiatives like Defend the Spend and DOGE have added compliance layers.



## Political Influence on Oversight

Audit, investigation, and review processes may be politically motivated—raising concerns about selective scrutiny.



## Preparation Is Essential

Institutions should strengthen internal controls, improve documentation, and align policies with federal expectations to proactively manage audit risk.



# Questions?

# Appendix A – 2024 Single Audit R&D Information

Data from the Federal Audit Clearing House manually reviewed by Huron Consulting Group and flagged for relevance to Research and Development. All categories were assigned by FAC.

Audit Category	Number of Audits
Procurement/Suspension and debarment	55
Allowable costs/cost principles	30
Subrecipient monitoring	30
Equipment/Real property management	27
Activities allowed or unallowed, Allowable costs/cost principles	25
Other	79
<b>Total 2024 R&amp;D Single Audits</b>	<b>246</b>

# AUDIT YEAR IN REVIEW

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