

University of California

Results of the OMB Circular A-133 Audit of Federal Award Programs for the Year Ended June 30, 2010

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A-133 Audit Overview

- Perform an audit of the University's financial statements in accordance with *Government Auditing Standards*. Items subject to compliance testing for purposes of the audit requirements under OMB Circular A-133 are direct and indirect charges and student financial aid awards.
- Total federal awards expenditures were \$4.3 billion
- Five programs audited as "Major Programs" in 2010 compared to three in 2009

Programs Subjected to Audit Procedures as Major Programs

- Research & Development (R&D) Cluster - \$3.2 billion
- Student Financial Aid (SFA) Cluster - \$378 million (plus \$1.1 billion in student loans authorized or advanced)
- ARRA – State Fiscal Stabilization Fund – \$448 million
- USDA Cooperative Extension Service Program – \$18.5 million
- Cal Health & Welfare Social Services Program - \$31.3 million

Nature of Audit Findings

- **Overaward of Student Aid (SFA)**
- **Incorrect Calculation of Title IV Refunds (SFA)**
- **Certain Subrecipient Monitoring Procedures Not Performed (R&D)**
- **Unretained Documentation on one Davis-Bacon Act Project (R&D)**
- **Late Invoicing (Cal Health & Welfare Social Services Program)**
- **Use of “lag” method in reporting the “best data available” for ARRA quarterly reports (R&D/all ARRA awards at 3 campuses)**
- **Erroneous Assignment of Costs (USDA Cooperative Extension Service Program)**

Sub-recipient Monitoring Procedures Finding (R&D)

- For 8% of the sub-recipients that we tested, we found exceptions in the University's practice of obtaining A-133 audit reports. While the University consistently obtained A-133 audit reports for sub-recipients in the initial year of award, that practice was not always continued for subsequent years of a multi-year award. In addition, we were unable to verify that the University followed up on findings in certain of the sub-recipient s' A-133 reports.

- *Management's Response*
 - In August 2010, new procedures were implemented to ensure that proper documentation and review of subaward recipients is performed at the outset of a new subaward, and annually thereafter. Additionally, if findings are noted, documentation is required to be included in the subawardee's file.

Davis-Bacon Act Finding (R&D)

- PwC was unable to verify that certified payrolls were reviewed for compliance with Davis-Bacon Act requirements due to lack of document retention.

- *Management's Response*
 - Certified payroll records will be re-obtained and re-reviewed to verify certification.

 - Additional procedures have been implemented to ensure future retention of appropriate files for the required retention period.

Late Invoicing Finding (Cal Health & Welfare Social Services Program)

- We found that, for this program, on average, periodic invoices were submitted 200 days after each quarter end and final invoices were not submitted within 90 days of the contract end.

- *Management's Response*
 - A significant portion of the expenditures were incurred through subawards. The University will increase the number of staff members to monitor the submission of invoices by subawardees. Additionally, an escalation process for monitoring subawardees who are late in submitting invoices will be implemented.

ARRA Reporting Finding (R&D and other awards)

- Quarterly reporting is required within 10 days after each calendar quarter. Three of the 10 campuses utilized data at a period other than the quarter end to report “best available data.” Office of Management and Budget’s (OMB) latest guidance issued on March 29, 2011, is that utilizing a lag period for reporting purposes is not acceptable.

- *Management's Response*
 - Affected campuses will take action to comply with the updated OMB guidance beginning with reports for June 2011.

Questions?