Internal Audit Findings: Research Expenditure Compliance (RECAP) Review

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RECAP by Internal Audit

- Who we are
- RECAP: objectives and process
- Internal Audit Expectations
- Examples
- Statistics
- Questions and Answers
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Who/What/Why is Internal Audit?

• The University of Toronto supports Internal Auditing as an independent and objective assurance and consulting activity designed to add value and improve the University’s operations.
• Internal Audit assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University’s risk management, control and governance processes.
• The Internal Audit Department is established by Governing Council Policy and its responsibilities are defined by this Policy and the Audit Committee of the Business Board as part of their oversight function.
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OBJECTIVES

The objectives of the RECAP review are to:

- **Assess** and **report** on research expenditure compliance with Tri-Agency and University policies and procedures.
- Assess the effectiveness of central, divisional and departmental processes and internal controls that provide assurance about compliance.
- Make **recommendations** to improve the processes to ensure compliance.
- Create **awareness** about the central auditing of research transactions to assist with mitigating the risk of non-compliance, fraud and other irregularities.
- Assist with the development and delivery of **training** and **education** programs for Principal Investigators, Business Officers, and Academic Administrators.
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What We Sample

Based on the risk assessment undertaken by IA Department in conjunction with the University’s Research Oversight and Compliance Office (ROCO), samples of different transaction types comprising:

- Expense Reimbursements (200 transactions);
- Grant Reallocations (100 transactions);
- Airfare Expenses greater than $3,000; and
- Invoice Payments greater than $5,000 (100 transactions).

Samples are selected randomly using Computer Assisted Audit Techniques (CAAT’s) from Federal Tri-Agency funded grant accounts and tested for compliance with Tri-Agency and, where applicable, University policies and procedures.
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The Testing Process

Review of supporting documentation and records against the following criteria:

- **Authorization**
  - all claims must have the grantee or delegate's signature

- **Eligibility**
  - the funds must be used effectively and economically, and the expenses must be essential for the research for which the funds were awarded

- **Relevance**
  - expenditures are for the direct purpose for which the grant was awarded

- **Accuracy**
  - timing, amount and occurrence of expenditures

- **Other**
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IA Expectations

- Providing complete set of supporting documentation to enable Internal Audit to assess compliance against the criteria:
  - expense claim form and all claimed receipts - hotel folio, car rental agreement, detailed meal receipts, official conference prospectus or program, boarding passes (where necessary), air travel e-tickets itinerary and detailed receipts;
  - invoices, approvals (including any delegation of authority letters), contracts/purchase orders, any other information in support of the transactions, etc.
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IA Expectations (cont’d)

Example:

Check against criteria:

? Authorization
? Eligibility
? Relevance
✓ Accuracy

Other

Submitted documents to tell the full story of the expenditure for a person not related to the Department...
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Statistics...

- From a sample of 654 transactions tested for Fiscal Year 2017 and Fiscal Year 2018 (Q1 & Q2), conclusions can be summarized as follows:
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STATs (cont’d)...

• **Top 3 Issues..**

• **Affiliation of Claimant Other Than the Grantee**
  - TAFAG: “For claimants other than the grantee, the affiliation with the grantee’s research group must be specified.”

• **Relevance/Purpose of Expenditure**
  - TAFAG: “Where the link to the research is not evident from the supporting documentation, additional information or explanation should be documented which demonstrates that the expenditure is a direct cost of the funded research.”

• **Ineligible Airfare**
  - TAFAG: “Air travel must be claimed at the most economical rate available, not to exceed full economy fare.”
Tri-Agency Internal Audit & Monitoring Visit: Trends & Issues

THANK YOU!

- Questions? ....