



## **POLICY & PROCEDURE DOCUMENT**

NUMBER: 3.2520

DIVISION: Finance and Administration

TITLE: Audits of Restricted Funds

DATE: June 30, 2014

Authorized by: K. Ann Mead, Sr. VP for Finance & Administration

### **I. Purpose and Scope**

Recognize audit requirements on restricted funds.

### **II. Policy**

All restricted sponsored awards are subject to audit at any time, whether by a federal or state agency, WKU's internal auditor or independent audit firm. WKU is subject to OMB Circular A-133 for "Audits of Institutions of Higher Education and Other Nonprofit Institutions."

These audit standards require auditors to obtain reasonable assurance about whether the financial statements of the university are free of material misstatement and to prepare a Schedule of Expenditures of Federal Awards. Highlights of the A-133 include:

- Using a dollar amount threshold to determine which programs are major
- Identifying federal awards made by title, CFDA number, award number, agency, etc.;
- Monitoring activities to ensure federal awards are used for authorized purposes in compliance with the laws, regulations and provisions of the grant agreements and that performance goals are achieved;
- Studying the internal control structure established for the accounting of federal programs; and,
- Following-up on corrective action taken in response to a prior audit finding.

### **III. Procedure**

1. WKU's recordkeeping system organizes and summarizes transactions in a form that:
  - a) Provides a basis for proper financial statements and
  - b) Serves as an audit trail.

All transactions can be traced through the operating ledger to original source documents, such as invoices, purchase orders, time sheets, etc.

2. The Chief Financial Officer (CFO) is primarily responsible for coordinating and responding to all financial audits of restricted projects. The Principal Investigator (PI) is responsible for technical and performance type audits. In either case, there should be a collaborative effort between Grants & Contracts Accounting (GCA), Office of Sponsored Programs (OSP) and the PI.
3. WKU is audited annually by an independent CPA firm that is selected via the sealed bid process.
4. Many federal and state funding agencies require a copy of WKU's annual audit as part of the contract. Annually, WKU submits our audited financial statements and our A-133 compliance report to the Single Audit Clearinghouse. WKU provides annual audit information on its Finance and Administration website at <http://www.wku.edu/finadmin/financial/>.
5. When an office receives notification of a restricted project or sponsor audit, it is to be communicated to the others involved in the audit. All involved parties will work together to meet the needs of the audit team. In preparation for WKU's annual A133 audit, the Assistant Director prepares schedules according to the requests of the external audit team. If an audit finding related to restricted accounts is cited, the CFO will take necessary steps to correct the issue, which may include the involvement of the PI, OSP and GCA. GCA has an ongoing list of grantors that require copies of our official audit. The audit is placed on WKU's web site annually. In addition, if required in the award document, GCA staff will provide either a website link by e-mail/letter to the grantor or send a hard copy within 6 months of receiving the audit.

### **IV. Related Policies**

All 3.25xx, 3.26xx and 3.27xx policies