



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF INTERNAL AUDIT
800 W. CAMPBELL RD. SPN 32, RICHARDSON, TX 75080
PHONE 972-883-4876 FAX 972-883-6846

September 6, 2018

Dr. Richard Benson, President,
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of time and effort reporting, referred to as Compensation Confirmation, as part of our fiscal year 2018 Audit Plan. The objective of the audit was to ensure compliance with the new Uniform Guidance and new UT Dallas policies and procedures regarding time and effort reporting for sponsored projects. The report is attached for your review.

Overall, university policies and procedures regarding time and effort reporting meet the requirements of Uniform Guidance and are functioning as intended; however, opportunities exist to ensure improved timeliness, appropriate reviewer access, clarified record retention, increased compliance to procedures, and an updated university policy.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

Audit Objective and Scope

Ensure compliance with the new Uniform Guidance and new UT Dallas policies and procedures regarding time and effort reporting for sponsored projects.

Conclusion

Overall, university policies and procedures regarding time and effort reporting meet the requirements of Uniform Guidance and are functioning as intended; however, opportunities exist to ensure improved timeliness, appropriate reviewer access, clarified record retention, increased compliance to procedures, and an updated university policy.

Audit Recommendations by Risk Level

Recommendation	Risk Level	Estimated Implementation Date
(1) Improve Timeliness of Compensation Confirmation	Medium	March 31, 2019
(2) Ensure Appropriate Reviewer Access	Medium	March 31, 2019
(3) Clarify that Records Pertaining to Personnel and Expenses be Retained for the Life of the Project Plus Three Years	Low	December 31, 2018
(4) Increase Compliance with the Sponsored Projects Compensation Confirmation Procedures	Low	March 31, 2019
(5) Update the Policy to Reflect Uniform Guidance Requirements	Low	March 31, 2019

Responsible Vice President

Dr. Joseph Pancrazio, Vice President for Research

Responsible Parties

Rafael Martin, Associate Vice President for Research
Kelly McKinney, Senior Director for Sponsored Programs Administration

Staff Assigned to Audit

Project Manager: Brandon Bergman, CFE, Senior Auditor

Project Leader: Melissa Carley, CPA, CIA, Staff Auditor

Report Distribution

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- Ms. Lisa Choate, Chair
- Mr. Gurshaman Baweja
- Mr. Bill Keffler
- Mr. Ed Montgomery

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- Dr. Hobson Wildenthal, Executive Vice President
- Dr. Kyle Edgington, Vice President for Development and Alumni Relations
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- Dr. Inga Musselman, Provost and Vice President for Academic Affairs
- Dr. Joseph Pancrazio, Vice President for Research
- Mr. Terry Pankratz, Vice President for Budget and Finance
- Mr. Timothy Shaw, University Attorney, ex-officio

Responsible Parties

- Rafael Martin, Associate Vice President for Research
- Kelly McKinney, Senior Director for Sponsored Programs Administration

External Agencies

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office
- Sunset Advisory Commission



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Background

In December 2014, The Office of Management and Budget (OMB) implemented new guidelines of cost principles for all federally-sponsored projects. The new guidelines, called Uniform Guidance, replaced all previous OMB requirements. The new requirements were intended to reduce the administrative responsibilities on award recipients and strengthen internal controls preventing misuse of funds.

Uniform Guidance requires recipients to account for the salaries and wages paid to employees working on the sponsored project. To meet the requirements, salary expenses must be reasonable for the work performed, documentation must exist to support the salary expenses, and internal controls must enable accurate and complete reporting. Noncompliance with Uniform Guidance requirements can result in withholding or suspending research awards, imposing conditions on recipients, or denying further awards.

At UT Dallas, the Office of the Vice President for Research is responsible for ensuring compliance with Uniform Guidance. The Senior Director of Sponsored Programs Administration, reporting to the Associate VP for Research, manages the offices of Sponsored Projects and Post Award Management which both work with principal investigators and researchers regarding compliance with Uniform Guidance and compensation confirmation. UT Dallas managed over \$37 million in expenses for federal awards in FY 2017.



In response to Uniform Guidance, the Office of Sponsored Programs Administration implemented new policies and procedures for time and effort reporting, called compensation confirmation. They built upon the existing account reconciliation process within PeopleSoft, adding an additional module to annually confirm salaries for each project.

Audit Objective

The audit objective was to ensure compliance with the new Uniform Guidance and new UT Dallas policies and procedures regarding time and effort reporting (Compensation Confirmation) for sponsored projects.



Scope and Methodology

The scope of this audit included all active federally-sponsored projects from FY 2017 through December 31, 2017. Fieldwork concluded on July 25, 2018. To satisfy our objectives, we performed the following:

- Gained an understanding of the federal and university policies, procedures, and regulations surrounding compensation confirmation by reviewing various documentation and interviewing employees in the Office of Research, principal investigators, and administrative personnel responsible for compensation confirmation.
- Performed testing on selected projects to verify completion of time and effort reporting for sponsored projects.
- Confirmed reconciliation documentation supported the salary expenses.
- Determined that users responsible for compensation confirmation were authorized and knowledgeable of the compensation confirmation process.
- Determined if compensation confirmations were conducted in a timely manner in accordance with Uniform Guidance and university procedures.
- Substantiated that university record retention policies align with Uniform Guidance.

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Management's Responses

Our audit work indicated that the compensation confirmation policies and procedures have the following controls in place:

- ✓ University compensation confirmation policies and procedures meet the requirements set forth in Uniform Guidance.
- ✓ The compensation confirmation process is an additional enhancement to the existing internal control of monthly cost center reconciliation.
- ✓ Salary expenses are supported by reconciliation documentation.

Although the above strengths and controls were noted, other opportunities to enhance operations and compliance are recommended below. Risk Levels are defined in the [Appendix](#) on page 10.



Observation and Risk Level	Risk/Effect	Recommendation	Management's Response and Action Plan
<p>1. Improve Timeliness of Compensation Confirmation (Medium Risk)</p> <p>Compensation confirmation is not being completed in a timely manner, especially for projects that are closing out. Based on the procedures performed, we found 55% of the projects tested were not confirmed on time, and none of the projects closing out were confirmed on time.</p>	<p>When time and effort reporting is not completed in a timely manner, it is more difficult to correctly determine if salary expenses are reasonable for work produced. It is also less likely that documentation will be accurate. Noncompliance could result in imposed restrictions or loss of future funding.</p> <p>Additionally, for projects closing out, Uniform Guidance states that all expenses must be reported within 90 days after a project's final expenditure. Without completing compensation confirmation within 90 days, the salary expenses reported may not be accurate.</p>	<p>Sponsored Programs Administration should implement procedures to improve the timeliness of compensation confirmations.</p>	<p>Management's Response and Action Plan: Office of Sponsored Programs Administration (OSPA) concurs with this recommendation.</p> <p>OSPA will strengthen the monitoring process of ensuring completion within the timeline outlined in the Compensation Confirmation policy and procedures (45 days after distribution). Management will train additional staff to ensure compliance to Compensation Confirmation deadlines.</p> <p>Estimated Date of Implementation: Training completion March 31, 2019</p> <p>Person Responsible for Implementation: Kelly McKinney, Senior Director, Sponsored Programs Administration</p>
<p>2. Ensure Appropriate Reviewer Access (Medium Risk)</p> <p>Individuals with reviewer rights may not have adequate knowledge of compensation confirmation in order to accurately sign off on salary expenses. Based on the procedures performed, 50% of the individuals tested with reviewer rights did not have a process for verifying salary expenses compared with services rendered with the PI of the project.</p>	<p>Uniform Guidance states that salary expenses must be reasonable for services rendered. Therefore, the compensation confirmation must be completed by a person knowledgeable of the salaries in order to make the determination of reasonable salaries.</p>	<p>Sponsored Programs Administration should implement procedures to ensure appropriate reviewer access.</p>	<p>Management's Response and Action Plan: Office of Sponsored Programs Administration provides Faculty and Staff Sponsored Projects Compensation End User Procedures outlining the Compensation Confirmation process, roles and responsibilities: https://research.utdallas.edu/opm/guidelines/sponsored-projects-compensation-confirmation</p> <p>OSPA deems this partly a departmental issue. It is one of the responsibilities of the Principal Investigator to appoint the appropriate staff and provide the necessary departmental tools and personnel information to enable proper review and confirm on the behalf of the PI.</p>



Observation and Risk Level	Risk/Effect	Recommendation	Management's Response and Action Plan
			<p>OSPA will continue to educate the Principal Investigators and departmental staff appointed by the PI on the policy and procedures of Compensation Confirmation.</p> <p>Estimated Date of Implementation: March 31, 2019</p> <p>Person Responsible for Implementation: Kelly McKinney, Senior Director, Sponsored Programs Administration</p>
<p>3. Clarify that Records Pertaining to Personnel and Expenses be Retained for the Life of the Project Plus Three Years (Low Risk)</p> <p>The records retention policy for financial and personnel records for UT Dallas is 3 years after the end of the fiscal year. The records retention requirement for Uniform Guidance is 3 years after the submission of the final expenses. Projects that span more than 3 years may not have the necessary salary and personnel information to report salary expenses at the end of a project.</p>	<p>Not retaining personnel and financial records while a project is still active could cause final project expenses to be inaccurate.</p>	<p>Sponsored Programs Administration should improve records retention procedures by clarifying that records pertaining to personnel and expenses be retained for the life of the project plus three years.</p>	<p>Management's Response and Action Plan: Office of Sponsored Programs Administration will work with the appropriate UTD staff to ensure personnel documentation is maintained in accordance with record retention standards and as per Sponsor Project requirements.</p> <p>In addition, OSPA will clarify the language in the Sponsored Projects Record Retention Guideline that records pertaining to personnel and expenses must be retained according to the appropriate Sponsored Project requirements.</p> <p>Estimated Date of Implementation: December 31, 2018</p> <p>Person Responsible for Implementation: Kelly McKinney, Senior Director, Sponsored Programs Administration</p>
<p>4. Increase Compliance with the Sponsored Projects Compensation Confirmation Procedures (Low Risk)</p>	<p>Non-compliance with internal procedures can cause federally sponsored projects to be non-compliant with Uniform Guidance.</p>	<p>Sponsored Programs Administration should implement monitoring procedures to increase compliance to the Sponsored Projects</p>	<p>Management's Response and Action Plan: Office of Sponsored Programs Administration (OSPA) concurs with this recommendation and will revise procedures as needed to ensure staff and faculty</p>



Observation and Risk Level	Risk/Effect	Recommendation	Management's Response and Action Plan
<p>We tested compliance with internal procedures over sponsored projects confirmation and noted the following:</p> <ul style="list-style-type: none"> • 16% of the projects reviewed did not complete the compensation confirmation module • 13% of the projects reviewed did not have reconciliation documentation matching salaries to time worked • 25% of the projects tested did not show a reasonable amount of documentation outlining time worked • 13% of the projects reviewed did not integrate change procedures into internal processes 		<p>Compensation Confirmation Procedures.</p>	<p>comply with the Compensation Confirmation policy and procedures. Management will train additional staff to ensure compliance to Compensation Confirmation policies and procedures.</p> <p>OSPA will further educate faculty and departmental staff on Compensation Confirmation requirements and OSPA management will better monitor the progress of completion of confirmations.</p> <p>Estimated Date of Implementation: Training completion March 31, 2019</p> <p>Person Responsible for Implementation: Kelly McKinney, Senior Director, Sponsored Programs Administration</p>
<p>5. Update the Policy to Reflect Uniform Guidance Procedures (Low Risk)</p> <p>The current policy UTDBP3032 – Sponsored Programs Administration Time and Effort Reporting is based on OMB Circulars. Those circulars were superseded by OMB Uniform Guidance implemented December 2014.</p>	<p>An outdated policy can lead to confusion and inconsistent procedures.</p>	<p>Update the policy to reflect Uniform Guidance requirements.</p>	<p>Management's Response and Action Plan:</p> <p>The Office of Sponsored Programs Administration concurs the need to update the UTDBP3032 policy. A draft copy has been completed and will submit through the proper policy committees for review and approval.</p> <p>Estimated Date of Implementation: March 31, 2019</p> <p>Person Responsible for Implementation: Kelly McKinney, Senior Director, Sponsored Programs Administration</p>



Conclusion

Overall, university policies and procedures regarding time and effort reporting meet the requirements of Uniform Guidance and are functioning as intended; however, opportunities exist to ensure improved timeliness, appropriate reviewer access, clarified record retention, increased compliance to procedures, and an updated university policy.

We appreciate the courtesy and cooperation received from the management and staff in The Office of Sponsored Programs Administration and the various principal investigators and administrative personnel interviewed as part of this audit.



Appendix

Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.