Office of Internal Audit

December 10, 2020

Dr. Kirk A. Calhoun, President
UT Health Science Center at Tyler
11937 U. S. Hwy 271
Tyler, TX 75708

Dr. Calhoun,

We have completed the Research Grants Audit that was part of our Fiscal Year (FY) 2020 Audit Plan. The objective of this audit was to evaluate the adequacy of processes and controls for accurate time and effort reporting for sponsored research. The scope of the audit was as of August 7, 2020 for UT Health Science Center at Tyler.

This audit was conducted in accordance with guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. We appreciate the assistance provided by everyone we worked with on this audit and hope the information presented in our report is helpful.

Sincerely,

Stephen Ford
AVP, Chief Audit Executive

Enclosure
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Research Grants Audit

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Report

Background

The Research Grants Audit was completed as part of the Fiscal Year (FY) 2020 Audit Plan as a risk-based audit.

As quoted from the Institution's website, "In the relentless pursuit of cures for some of the most challenging diseases of our time, The University of Texas Health Science Center at Tyler (UTHSCT) investigators conduct research that includes clinical, translational, and basic science aimed at improving the quality of human life."

As of August 7, 2020, the Institution was involved with more than 100 different grants ranging from federal, state, and local sponsors. These grants are held in multiple departments including; Biomedical Research, Microbiology, Occupational Medicine, Rural and Community Health, Population Health, Residency Programs, Cystic Fibrosis, Heartland TB Center, Psychiatry, Public Health Lab of East Texas (PHLET), and Clinical Study, and are held in several locations across the State of Texas including Tyler, Austin, and San Antonio.

The Office of Sponsored Programs (OSP), which includes the Offices of Pre-Award Services and Post-Award Accounting, serves the research faculty, clinical faculty, and professional staff at UTHSCT, by procuring and managing externally funded projects. Part of managing those externally funded projects includes ensuring compliance with federal and state regulations surrounding sponsored programs.

Regulation 45 CFR 75.430, *Compensation – Personnel Services*, requires that "faculty members' salaries must not exceed the proportionate share of their Institutional Base Salary (IBS)" which is calculated based on the National Institutes of Health's (NIH) designated salary cap levels. In addition, this regulation requires that "charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed" which includes documenting that the employee's total activity does not exceed 100% of compensated activities.

False and inaccurate time and effort reporting can lead to financial risk, including the loss of current sponsored funding and the loss of future sponsored funding, reputational risk, and can even be criminally prosecuted under the False Claims Act. A recent settlement was reached where a research institution agreed to pay $10 million to settle claims it improperly charged NIH-funded research grants for time spent by researchers on non-grant related activities between 2008 and 2016.

Institutional Policy #6317889 "*Grants, Contracts, and Sponsored Projects*" requires strict adherence to the federal policies that regulate the application for, and expenditure of, federal and other program sponsored funds. The Policy outlines the responsibilities of employees, faculty, Principle Investigators (PIs), and Research Administration staff in meeting those obligations.

Objective

The objective of this audit was to evaluate the adequacy of processes and controls for accurate time and effort (T&E) reporting for sponsored research.

Scope and Methodology

The scope of the audit was as of August 7, 2020 for UTHSCT.

To achieve the audit objective, we:

- Reviewed applicable regulations, guidance, policies and procedures;
- Performed a walkthrough of applicable T&E certification processes and procedures;
- Obtained and reviewed a report of all active grants; and
- Selected a sample of PIs and reviewed supporting documentation for their T&E reporting.

The audit was conducted in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.

Audit Results

We selected a total of 15 PIs for testing from the active grants report provided by OSP and we selected the Q1 (September 1, 2019 through November 30, 2019) and the Q3 (March 1, 2020 through May 31, 2020) certification periods for testing. We answered the following 11 questions as part of our testing.

1) Were all T&E certifications complete (8 exceptions in Q1 and 11 exceptions in Q3);
2) Were all T&E certifications timely (0 exceptions in Q1 and Q3);
3) Were all T&E certifications accurate (7 exceptions in Q1 and 6 exceptions in Q3);
4) Did all T&E certifications have an appropriate signature (0 exceptions in Q1 and in Q3);
5) Were all T&E certifications reviewed timely* and appropriately (14 exceptions in Q1 and 14 exceptions in Q3);
6) Was the Personnel Action (PA) form completed timely** (4 exceptions in Q1 and 7 exceptions in Q3);
7) Did the PA form have appropriate effort percentages (0 exceptions in Q1 and 1 exception in Q3);
8) Was the PA form accurate (5 exceptions in Q1 and 6 exceptions in Q3);
9) Did the PA form appropriately capture salary cap levels, if applicable (0 exceptions in Q1 and in Q3);

10) Did the PA form contain all the required signatures (9 exceptions in Q1 and 11 exceptions in Q3); and

11) Did OSP have a copy of the PA form (3 exceptions in Q1 and 2 exceptions in Q3).

*It is noted that Institutional Policy #6317889 "*Grants, Contracts, and Sponsored Projects*" does not specify a timeline for the review of T&E certifications, as a result, we tested against a 60 day period after the certification window. The policy explicitly specifies that researchers are to complete their T&E certifications within 30 days upon notice to certify. An additional 30 days (60 days total) was deemed a reasonable time period for OSP to prepare and review the T&E certifications.

**It is further noted that Institutional Policy #6317889 "*Grants, Contracts, and Sponsored Projects*" does not specify a timeline for PAs to be completed, as a result, we tested against a 30 day period where faculty are paid on a monthly basis and OSP reconciles to payroll reports on a monthly basis.

Findings and Recommendations

Issue #1: The current PA form is lacking key grant information such as effort percentages and salary cap levels. As a result, we noted inconsistent use of the PA form across the departments completing PA forms with grant accounts and an increased difficulty to reconcile individual effort percentages and salary cap levels.

Recommendation #1: OSP should work with HR to update the Institution's current PA form to include key grant information. The Institution should also consider, in the event funding becomes available, technologies for PA automation.

Ranking: High

Management's Response: Agreed. OSP agrees that this has been and remains a key issue and that the two items (level of effort and the corresponding salary cap for each grant) are necessary sections for the PAs. We have been in contact with HR and we have been informed that a section for the level of effort will be included in the upcoming eForms documents. Although historical PAs have been inconsistent in listing the level of effort and corresponding salary cap, OSP currently requires that information when it is applicable. OSP will work with HR to provide an interim solution.

Implementation Date: January 31, 2021

Issue #2: Currently, T&E certifications are completed by grant and not comprehensively per individual, unless the individual is over the salary cap level. As a result, it is difficult to track and review total effort for all grant personnel to ensure they do not exceed 100% effort.

Recommendation #2: OSP should consider completing a comprehensive T&E certification per individual to aid in the tracking of total effort on an individual basis.

Ranking: High

Management's Response: Agreed. We respectfully offer that OSP has made significant improvements in the format of the T&E certifications. Specifically, we are currently providing a table format that tallies the total effort for each person within the corresponding laboratory or group. However, some individuals contribute effort to more than one laboratory, in which case the PA can easily be accessed to verify total effort. OSP will work with clinical and academic school administrations to ensure comprehensive T&E certifications are done per individual based on total effort.

Implementation Date: March 1, 2021

Issue #3: Currently, OSP is not conducting annual training as required by Institutional Policy #6317889.

Recommendation #3: OSP, in coordination with HR, and in alignment with recommendation #1 above, should develop and provide training to all Grant Owners/PIs and the staff preparing these individuals' PAs on PA form policy and procedure requirements. This training should be provided to all new research employees in these areas going forward and continue on an annual basis.

Ranking: High

Management's Response: Agreed. Although OSP has not been included in historical training, OSP agrees that such inclusion would be beneficial to the organization. Such training was provided in 2019 and will be added to the annual mandatory training.

Implementation Date: February 28, 2021

Issue #4: As noted in the audit results above, a number of T&E certifications had not been sent for completion at the time of our testing. In addition, it was noted that a high percentage of the T&E certifications were not reviewed in a timely manner and in one (1) instance the T&E certification included the PI's salary percentage instead of the effort percentage.

Recommendation #4: OSP further strengthen its T&E certification tracking and review procedures to ensure accurate and timely completion of all T&E certifications.

Ranking: High

Management's Response: Agreed. OSP puts much effort into assuring timely review and approval of T&E certifications, including regular follow-up with reviewers. Internal OSP review

will be intensified to address the issues related to errors identified in effort percentages. OSP follows up with regular emails, as well as use of DocuSign, which also sends regular emails to the reviewer until that person has signed the certification. Although the majority of certifications are reviewed and approved quickly, there are always some who are late to complete their certifications. In the past, OSP has resorted to contacting others for assistance when the reviewer has not certified in a timely manner, including department assistants.

All attestations will be reviewed for completeness within 30 days of receipt through the assigned OSP staff and Director, OSP. Deficiencies in response will be shared with the Dean of the involved School and the Senior Vice President for Research.

Implementation Date: January 31, 2021

Issue #5: The following exceptions were noted in our testing of PA forms:

- OSP did not have the final completed copy of the PA form, inclusive of all required signatures, for a number of our sample selections;
- There were multiple instances where OSP did not have a copy of the PI's PA form on file;
- 11 of the selected PA forms that OSP had on file were not completed in a timely manner; and
- Multiple individual's PA forms were missing one (1) or more grants (it should be noted that the missing grants identified were allocated at 0% salary so no adverse effects on salaries were identified).

These exceptions resulted in a number of incomplete T&E certifications.

Recommendation #5: OSP, in coordination with HR, should develop a process to ensure they receive the final completed copy of all PA forms that include grant personnel timely. In addition, OSP should strengthen their PA review process to ensure all applicable grants are included on the PA form.

Ranking: High

Management's Response: Agreed. Historically, OSP has not received a copy of the final PA (with all signatures) and in the past there have been numerous occasions in which PAs have been processed without OSP approval or inclusion. HR personnel currently send all PAs that list grants to OSP for approval. OSP will request HR send them a copy of the final PA that includes all approvals. OSP will review the PAs and ensure that deficiencies identified are addressed upon recognition with HR and the involved School or department.

Internal Audit's point is acknowledged. OSP will keep full records as cited and will develop a plan with HR to ensure that the final PAs with all signatures are made available to OSP.

OSP often receives retroactive PAs, but has implemented controls to reduce their frequency, including grant closing procedures.

The current PA does not include a section for level of effort. It only includes a section for % of salary. So, historically, if the individual was contributing effort to a grant, but not requesting salary support from that grant, that specific grant was not listed on the PA. The Director, OSP has instructed all OSP staff to ensure that is not the case going forward. Reminders to accurately include salary cap and cost-share on the PAs will be addressed by working with HR to provide a form applicable to faculty and staff receiving extramural support.

Implementation Date: February 28, 2021

Issue #6: Institutional Policy #6317889 states that "the minimum effort on any project for which salary costs are reimbursed will be 1%". It was noted that during our testing multiple PIs were allocated 0% effort to a grant.

Recommendation #6: OSP should develop pre-award procedures to ensure that PIs are allocated an effort percentage in accordance with its policy.

Ranking: High

Management's Response: The Director, OSP agrees that level of effort should not be lower than 1%. The Director, OSP noticed several instances and an instructional email was sent out. A policy revision will be developed and shared with OSP staff accordingly.

Implementation Date: January 31, 2021

Issue #7: Currently, Institutional Policy #6317889 references outdated procedures and does not specify a timeline for T&E certification reviews and PA completion.

Recommendation #7: UTHSCT should update its policy to address the following:

- ECRT is no longer used for the T&E certification process;
- T&E certifications are now completed on a quarterly basis;
- Specify a timeline for T&E certification reviews and reconciliations; and
- Specify a timeline for PA completion upon changes to grant funding sources.

Ranking: High

Management's Response: OSP agrees with this recommendation.

Implementation Date: January 31, 2021

Issue #8: Currently, OSP has not obtained independent approvals by the Senior Vice President of Research for research personnel with effort assigned in excess of 90% as required by Institutional Policy #6317889.

Recommendation #8: OSP should develop a process to ensure independent approval by the Dean of the School and Senior Vice President of Research for research personnel with effort assigned in excess of 90% is obtained.

Ranking: Medium

Management's Response: OSP agrees that this institutional requirement has not always historically been followed. The Director, OSP will review T&E attestations and obtain approval for any individuals identified as having greater than 90% time committed to extramural grants and obtain the signature of the Dean of the appropriate School and Senior Vice President of Research in such instances.

Implementation Date: January 31, 2021

Conclusion

Our audit identified areas where the time and effort reporting controls and processes in place for sponsored research at UTHSCT could be strengthened. The above recommendations have been made to improve these areas.

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Stephen Ford
AVP, Chief Audit Executive