



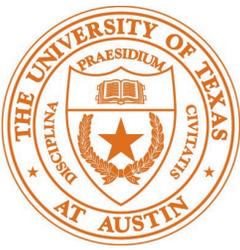
TEXAS

The University of Texas at Austin

**Research Payroll and
Effort Certification**
Office of Sponsored Projects

February 2023

Office of Internal Audits
UT Austin's Agents of Change



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe St. Suite 2.302 · Austin, Texas 78701 · (512) 471-7117 · FAX (512) 471-8099
audit.utexas.edu • internal.audits@austin.utexas.edu

Executive Summary

Research Payroll and Effort Certification

Office of Sponsored Projects

Project Number: 22.008

Audit Objective

The objectives of this audit were to determine whether salary compensation report processes provide reasonable assurance that sponsored project payroll charges are accurate, allowable, properly allocated, and compliant with federal requirements, and to determine whether the *DEFINE/Workday interface transfers accurate and up-to-date data for the salary compensation reporting process.

Conclusion

Overall, the salary compensation report process provides limited assurance that sponsored project payroll charges are accurate, allowable, properly allocated, and compliant with federal requirements. There is an established process to verify *DEFINE/Workday interface transfers are accurate, and end users have not reported data accuracy issues.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Limited System of Controls	High	May 31, 2023

Engagement Team

Jason Boone, Auditor III

Autumn Gray, Audit Manager

Andrea Rios, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Detailed Audit Results

Observation #1 Limited System of Controls

Salary Compensation Reports

The University of Texas at Austin's (UT Austin) use of salary compensation reports (SCR) does not provide complete information necessary to calculate or review an individual's total activity on sponsored projects. SCRs are tied to charges on specific sponsored projects but do not include other awards or institutional activities (e.g., administrative duties, instruction). Because this information is not included, principal investigators (PIs) are not able to efficiently confirm an individual's actual effort on the PI's grant is accurate and proportional to the related salary charges.

Charges reflected on SCRs are based on cost allocation budgets established at the beginning of an academic term and may not accurately reflect the amount of work actually performed. While PIs and/or departments may be able to provide support for SCRs, a University standard or minimum requirement for maintaining this documentation is not established. Identifying or generating documentation to support salary charges to federal grants can be difficult and time-intensive depending on PI's/department's record keeping. Where supporting documentation is insufficient, UT Austin may not be able to demonstrate "a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocation," as required by Uniform Grant Guidance (2 CFR 200). This creates a risk of noncompliance with federal and sponsor requirements, over or undercharging sponsored projects, exceeding institutional base salary limits, and potential loss of sponsored funding.

Policy and Procedures

The current effort certification policy (Handbook of Operating Procedures 7-1010) has not been updated since the transition from effort reporting to SCRs. As a result, the policy contains inaccurate information, and does not provide guidance on reviewing and completing SCRs.

PIs are not required to review salary compensation reports within a specific time frame following their issuance, and there is not an escalation process for unreviewed reports. Additionally, PIs are not required to complete training related to the SCR process.

Recommendation: Management should update the SCR reporting system to provide a complete view of an employee's total wages and activities so PIs can more effectively verify the charges to their grants are proportional to actual work. This change will enhance internal controls and better provide reasonable assurance that salary charges are accurate, allowable, and properly allocated.

Additionally, management should update the Handbook of Operating Procedures to include the SCR. Furthermore, management should consider implementing best practices to enhance internal controls, such defined review periods, escalation processes, and training requirements.

Management's Corrective Action Plan: The Office of Sponsored Projects (OSP) acknowledges the deficiencies cited in this Internal Audit report and plans to implement a new



OFFICE OF INTERNAL AUDITS REPORT: RESEARCH PAYROLL AND EFFORT CERTIFICATION

salary compensation report tool to ensure that sponsored projects payroll charges are accurate, allowable, and compliant with federal regulations. In order to establish a new salary compensation tool and associated process, OSP will work collaboratively with the University’s Enterprise Business Information Technology Solutions (EBITS) team to define data and functional parameters for the new tool, including the ability to view an employee’s total wages and effort across all grants and institutional activities. Through a series of working sessions, OSP will define revised needs for the tool and work with EBITS to finalize a timeline for development and implementation.

Responsible Person: Director, Office of Sponsored Projects

Planned Implementation Date: OSP intends to have an established timeline for development and launch of the new salary compensation reporting tool by May 31, 2023.

Conclusion

Overall, the salary compensation report process provides limited assurance that sponsored project payroll charges are accurate, allowable, properly allocated, and compliant with federal requirements. There is an established process to verify *DEFINE/Workday interface transfers are accurate, and end users have not reported data accuracy issues.

Table: Controls Assessment

Audit Objective	Controls Assessment
Objective 1: Determine whether salary compensation report processes provide reasonable assurance that sponsored project payroll charges are accurate, allowable, properly allocated, and compliant with federal requirements.	Ineffective with High Risk Opportunity
Objective 2: Determine whether the *DEFINE/Workday interface transfers are accurate and up-to-date data for the salary compensation reporting process.	Satisfactory

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and meet the independence requirements for internal auditors. 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 on our audit objectives.



OFFICE OF INTERNAL AUDITS REPORT: RESEARCH PAYROLL AND EFFORT CERTIFICATION

The scope of this review includes SCRs issued during fiscal years 2021 and 2022.

Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.

Table: Objectives and Methodology

Audit Objective	Methodology
Objective 1: Determine whether salary compensation report processes provide reasonable assurance that sponsored project payroll charges are accurate, allowable, properly allocated, and compliant with federal requirements.	<ul style="list-style-type: none"> • Documented the SCR process in a flowchart to gain an understanding of current controls and efficiency opportunities • Interviewed staff in the Office of Sponsored Projects, eBITS, and Payroll • Interviewed a sample of PIs and administrative staff • Reviewed peer institutions’ effort reporting policies and processes to identify best practices • Tested salaries and wages on a sample of sponsored projects to determine accuracy and allowability
Objective 2: Determine whether the *DEFINE/Workday interface transfers are accurate and up-to-date data for the salary compensation reporting process.	<ul style="list-style-type: none"> • Compared SCR to payments reported in Workday • Interviewed staff in the Office of Sponsored Projects, eBITS, and Payroll

Background

In accordance with Uniform Grant Guidance (2 CFR 200), UT Austin performs after-the-fact reviews of personnel costs allocated to sponsored research projects based on budget estimates. In 2014, the release of 2 CFR 200 allowed more flexibility in the interpretation of internal controls that UT Austin uses to ensure personnel costs are accurate, allowable, properly allocated. In 2020, UT Austin transitioned from an effort certification system to SCRs. SCRs are issued three times a year following the end of each academic semester to provide PIs and departments another tool to review personnel costs on sponsored accounts.²

In Fall 2021, an external audit of the Cancer Prevention and Research Institute of Texas Program (CPRIT) identified a significant deficiency with university research grant internal controls. While the deficiency was related to institutional base salary limits, the external auditor considered expanding its determination to include internal controls over effort reporting.

² Office of Sponsored Projects Website - <https://research.utexas.edu/osp/manage-awards-and-subawards/salary-compensation-reports/>



OFFICE OF INTERNAL AUDITS REPORT: RESEARCH PAYROLL AND EFFORT CERTIFICATION

Affected departments were ultimately able to produce documentation to support salary charges; however, it was a time and labor-intensive process.

Criteria

2 Code of Federal Regulations Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

§ 200.303, *Internal Controls*

§ 200.430, *Compensation – Personal Services*

UT Austin Handbook of Operating Procedures, 7-1010, *Effort Certification*

Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.



**OFFICE OF INTERNAL AUDITS REPORT: RESEARCH PAYROLL AND EFFORT
CERTIFICATION**

Report Submission

We appreciate the courtesies and cooperation extended throughout the audit.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

Distribution

Dr. Jay C. Hartzell, President

Ms. Julie Bowers, Assistant Vice President of Finance & Chief Business Officer, Office of the
Vice President for Research, Scholarship, and Creative Endeavors

Mr. Mark Featherston, Chief of Staff, Office of the Vice President for Research, Scholarship and
Creative Endeavors; Interim Director of the Office of Sponsored Projects

Ms. Monica Horvat, Director of Presidential Priorities

Dr. Daniel Jaffe, Vice President for Research

Dr. Catherine Stacy, Chief of Staff, Office of the Executive VP & Provost

Dr. Sharon Wood, Executive Vice President and Provost

The University of Texas at Austin Institutional Audit Committee

The University of Texas System Audit Office

Legislative Budget Board

Governor's Office

State Auditor's Office