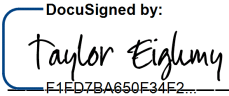
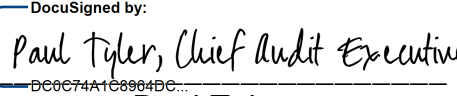
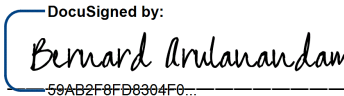




Grants Financial Reporting
Internal Audit Project # 2020-41
September 14, 2020

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This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

Executive Summary
Grants Financial Reporting
Internal Audit Project #2020-41

Objectives:

- Determine if final Federal Financial Reports are timely, accurate, and complete in compliance with Uniform Guidance and grant specific financial reporting requirements.
- Provide the Vice President of Research, Economic Development, and Knowledge Enterprise (REDKE) a document of key ongoing issues, actions taken, and potential future actions for clearing outstanding Grants Accounts Receivable.

Conclusion:

Final Federal Financial Reports generally comply with Uniform Guidance and grant specific completeness and accuracy financial reporting requirements. However, enhancements should be made to ensure final Federal Financial Reports include allowable salary expenditures and are submitted timely. Remaining key issues to clear grant accounts receivable should be resolved.

Research Finance and Operations Action Plans:

- Ensure salaries are allocated to grants appropriately by enhancing monitoring and recommunicating training. (*High Risk*)
- Finalize actions need to clear grant accounts receivable. (*High Risk*)
- Ensure final Federal Financial Reports are submitted timely by monitoring processes to place higher priority on consistent compliance with due dates. (*Medium Risk*)

Scope:

The scope of this audit was eight federal awards with end dates between September 1, 2018 and November 15, 2019. Financial information ranging from FY2014 - FY2020 was reviewed for each award to ensure Final Federal Financial Reports incorporated data for the life the award. PeopleSoft Grants Accounts Receivable balances were reviewed. Discussions and walkthroughs were held with Research Finance and Operations leadership. Grants and Contracts Financial Services Job Aids were reviewed.

Audit Results
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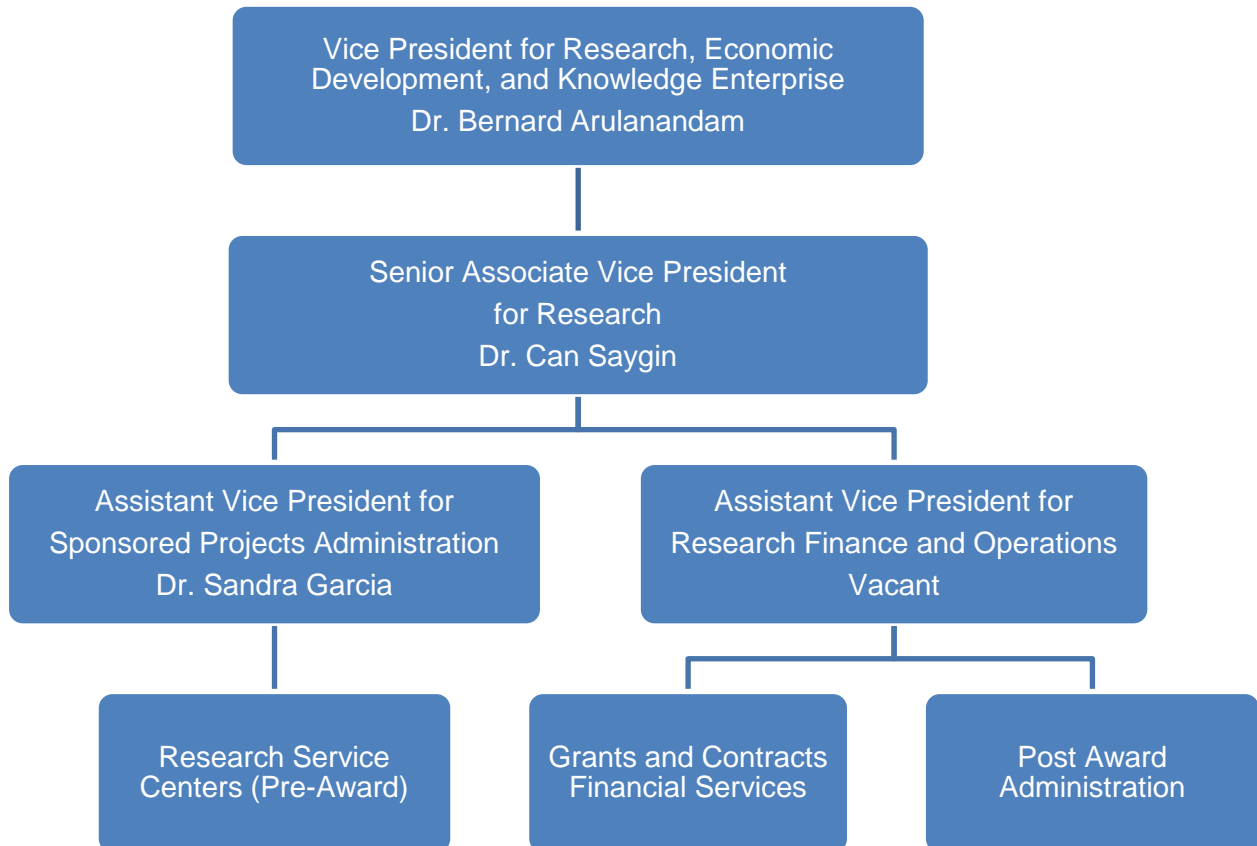
Background

Uniform Guidance

[2 CFR, Part 200 – Uniform Administrative Requirements for Federal Awards \(Uniform Guidance\)](#) outlines the financial reporting responsibilities for institutions receiving federal grant funding. Section §200.302 Financial Management states that accurate, current, and complete disclosure of the results of each Federal award must be made in accordance with the sponsored research award reporting requirements. Section §200.338 Remedies for Non-Compliance states remedies for noncompliance (with sponsored research award requirements) may include terminating existing awards and withholding future awards.

Reporting Structure of the Office of the Vice President of Research, Economic Development, and Knowledge Enterprise

Effective September 1, 2020, Post-Award Administration and Grants and Contracts Financial Services have primary roles in ensuring compliance with Uniform Guidance reporting. The Research Service Centers and the College Financial Leads within each college process financial transactions throughout the life of the award.



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Objective 1: Determine if final Federal Financial Reports (FFR) are timely, accurate, and complete in compliance with Uniform Guidance and grant specific financial reporting requirements.

Salaries Charged to Awards

The salary of a Principal Investigator that was allowable per the grant agreement was not charged to one of the eight awards sampled. Unless all other funding options are exhausted, UTSA's [cost sharing policy](#) is to minimize cost sharing on externally sponsored awards to ensure costs that can be funded by the sponsor, are funded by the sponsor.

The salary of a principal investigator was charged after the award end date to one of the eight awards sampled. Uniform Guidance § 200.309 Period of performance states that a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance.

Observation 1:	Two of the federal awards with salary charges were not aligned with the award agreement: <ul style="list-style-type: none"> ➤ For one award, the Principal Investigator's salary was not paid from award funds though the award contract allowed the salary to be paid from award funds. ➤ For a second award, the Principal Investigator's salary was charged to the grants after the award end date of 12/31/2018. Only a portion of the salary was later reversed, which caused an inaccurate amount to be included in the reimbursement request to the funding agency.
High Risk Level:	There is a high risk that failing to bill sponsors for allowable salaries could result in a material financial loss to the university. There is a high risk that overcharging sponsors could result in a negative impact from sponsors.
Management Action Plan 1:	Post Award Administration is in the process of implementing several measures to more proactive monitoring of award activity to ensure that costs are charged as budgeted. All Post Award Administration staff will be trained on how to use various tools available to them (for example, HCM003 Salary Allocation Report and HCM002 Payroll Distribution Report). This will help them identify which awards and projects need attention. In addition, Post Award Administration will work with the College Financial Leads (CFL) and department fiscal contacts to ensure that eForms are timely and accurately processed in order to properly allocate salary to the various

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	<p>grants. Improved and increased communications will take place between Post Award Administrators and department fiscal staff relaying sponsor approved budget line item specifics and the need to apply allowable costs to the grants as budgeted. The goal of these efforts is to minimize or eliminate the need for after-the-fact corrections, with emphasis on those beyond 90 days.</p> <p>Specific to the second bullet point, the Principal Investigator's salary was charged to the grant after the award end date of 12/31/2018. Only a portion of the salary was later reversed, which caused an inaccurate amount to be included in the reimbursement request to the funding agency. After a delay of two months, the un-allowed costs were moved off the award. The delay was due to the fact that GCFS could not move the costs until the PI/Department provided a cost center to which the costs could be moved. Since personnel costs were moved, the PI's payroll certification report needs to be corrected and re-certified. This is handled by the Research Computing group. Once that is complete, the revised final FFR will be submitted, along with the refund.</p>
<p>Responsible Persons:</p>	<p>Dr. Can Saygin, Senior Associate Vice President for Research Daniel Anzak, Director – Grants Contracts Financial Services Stacy Williams, Interim Director of Post-Award Administration</p>
<p>Implementation Date:</p>	<p>October 15, 2020 – A Monitoring Plan for verifying salary allocations and related data analysis will be provided to Internal Audit. At that time, the necessity for future validation services by Internal Audit will be determined.</p>

Submission of FFR or Final Invoice

Uniform Guidance § 200.327 Financial Reporting states that recipients of federal awards are required to submit financial data in accordance with those awards no less than annually and no more than quarterly.

Uniform Guidance § 200.343 Closeout states that once the required work and administrative actions of the recipients of a federal award are concluded, the recipient has no more than 90 calendar days to submit all financial, performance, or other reports required by the award.

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For the federal awards reviewed, the award agreements required submission of the final Federal Financial Reports or invoices from 60 to 120 days after the award end date.

Observation 2:	Five out of eight FFRs were submitted between 8 and 28 days late.
Medium Risk Level:	There is a medium risk that late and delayed financial reporting could result in an eventual negative impact from sponsors or regulators and loss of research opportunities.
Management Action Plan 2:	<p>Timely final Federal Financial Reports (FFR) submission is a critical business process for Research Administration. This process uses “number of timely submissions” and “number of late submissions” as the two key performance indicators (KPI) that will be tracked with PeopleSoft Milestone metrics as part of the FY21 Work Plans for Grants and Contracts Financial Services (GCFS) and Post Award Administration.</p> <p>The PeopleSoft Milestones feature is already implemented and is applied to all awards received: <i>The milestones are set up by the Grants Accountant in GCFS who processes the setup/modification. The Accountant assigned to the Award is responsible for completing the task and marking the milestone as “complete”. The milestone is not marked as “complete” until the report/invoice has actually been submitted to the sponsor. The milestones report is run and reviewed each month for overdue and pending milestones. Whenever a milestone is marked as “complete”, PeopleSoft records the date and user that made the change.</i></p> <p>Grants and Contracts Financial Services processes have been refined to place higher priority on consistent compliance with milestones due dates.</p> <p>Post Award Administration has developed new processes to be more proactive in ensuring that all transactions are finalized prior to due date of final invoicing/final financial reporting.</p> <p>With new processes in place, Post-Award Administration and GCFS units will now develop a “Monitoring Plan” to ensure the effectiveness of the new processes and make revisions where needed.</p>

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Responsible Persons:	Dr. Can Saygin, Senior Associate Vice President for Research Daniel Anzak, Director – Grants Contracts Financial Services Stacy Williams, Interim Director of Post-Award Administration
Implementation Date:	October 15, 2020 – A Monitoring Plan for timely FFR submissions using related Milestone metrics will be provided to Internal Audit. At that time, the necessity for future validation services by Internal Audit will be determined.

Accurate Complete and of Final FFR	With the exception of the two salary expenditures noted, accurate and complete financial information ranging from FY2014 - FY2020 for each award was included in the final Federal Financial Reports for the awards tested.
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Objective 2: Provide the Vice President of Research, Economic Development, and Knowledge Enterprise (REDKE) a document of key ongoing issues, actions taken, and potential future actions needed with outstanding Grants Accounts Receivable.

Billing Complexities	GCFS and the Office of Research Finance and Operations have refined their processes and have analyzed accounts to research and to clear Grants Accounts Receivables with both external consultation and internal efforts.
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Discussions and walkthroughs were held with GCFS, QARM, and RSC management. Documents were reviewed, including:

- Invoice Processing (Cost Reimbursable, Letters of Credit, Prepaid, and Fixed Price) Job Aid,
- Project Close Out Job Aid,
- Milestones and Award Modification Job Aid, and
- The Grants Write-Off Policy.

The following key issues that affect Accounts Receivable and Accounts Receivable clearing accounts were documented and summarized to aid management in identifying and resolving remaining issues in this area.

Key Ongoing Issues	Non-Payroll Expenditures - Non-Payroll Expenditures could be processed after the award end date, resulting in the funding agency being incorrectly expensed.
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- Actions Taken: Job aids have been enhanced, cleanup of expenditures processed after the award end date have occurred, role and responsibilities matrix for OSPA and ORFO have been clarified.

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- Potential Future Actions: Job aids can be finalized and an independent review of processes could occur to ensure post award updates were performed timely and accurately.

Interdepartmental Transfers - IDT transactions performed by departments at or after the award end date could result in the funding agency being incorrectly expensed.

- Actions Taken: Cleanup of expenditures processed after the award end date have occurred.
- Potential Future Actions: GCFS can contact Business Information Services/UTSIS to discussing creating automated controls to prevent IDT transfers after close out.

Payroll Expenditures - Payroll could be processed after the award end date or when funds are unavailable, resulting in the funding agency being incorrectly expensed.

- Actions Taken: eForms implementation and training to resolve untimely reconciliations has occurred.
- Potential Future Actions: GCFS could explore integrating workflow into the cost transfer process. GCFS could consider establishing a new departmental unfunded cost center at the college or VP level to process payroll for grants held in deficit.

Accounts Receivable Reconciliations - AR reconciliations between FFR/invoices and sent/Letter of Credit draws to the agencies and funds received can be complicated.

- Actions Taken: Job aids have been written and enhanced for GCFS Accountants to ensure the reconciliation of GL, KK, and PC modules.
- Potential Future Actions: GCFS could work with other UTShare Institutions and SIS to research means of automating or streamlining the reconciliation process.

Stale or Orphaned Accounts Receivable - Outstanding AR balances are the result of previous award deficit balances.

- Actions Taken: A Grant Write-Off policy was written to address balances of \$100 or less with guidance for consulting with Associate VP of Financials Affairs.
- Potential Future Actions: GCFS and Accounting could collaborate to determine the methodology and timeline for creating journal entries to clear out Accounts Receivable

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Contract Grant Clearing account 11702 and to determine the balance of stale entries in the Accounts Receivable Sponsored Program account 11810 and determine what balance, if any, should be charged off as uncollectable. As of the date of this report, both accounts contained material balances.

Observation 3:	Remaining key issues to clear grant accounts receivable (AR) require resolution.
High Risk Level:	There is a high risk that grants accounts receivable inaccuracies could affect the financial integrity of grant award accounting.
Management Action Plan 3:	Effective immediately, Dr. Saygin, Stacy Williams, and Daniel Anzak will be working with Sheri Hardison, Associate Vice President, Financial Affairs and Tammy Anthony, Assistant Vice President, Budget and Financial Planning to identify alternative solutions to solve AR issues. The task force will identify PeopleSoft-specific issues, process issues, and protocols to clear these issues as part of the AR Clean Up Plan.
Responsible Persons:	Dr. Can Saygin, Senior Associate Vice President for Research Daniel Anzak, Director – Grants Contracts Financial Services Stacy Williams, Interim Director of Post-Award Administration
Implementation Date:	AR Clean Up Plan and Timeline -- December 15, 2020