The University of Texas at Brownsville

FY 2013 Audit of Research Compliance

January 30, 2014
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Dr. Juliet V. Garcia, President
The University of Texas at Brownsville
80 Fort Brown
Brownsville, Texas 78520

Dear Dr. Garcia:
As part of our Audit Plan for fiscal year Special Procedures, we completed the FY 2013 Audit of Research Compliance at The University of Texas at Brownsville. The objective of this audit was to determine whether high risk research compliance areas are adequately monitored and managed to reduce and control risk.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System’s Policies UTS 129 and the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing (Standards). The Standards set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to the Standards.

The recommendations in this report represent, in our judgment, those most likely to provide a greater likelihood that management’s objectives are achieved. The recommendations differ in such aspects as difficulty of implementation, urgency, visibility of benefits, and required investments in facilities and equipment, or additional personnel. The varying nature of the recommendations, their implementation costs, and their potential impact on operations should be considered in reaching your decision regarding courses of action.

We appreciate the assistance provided by UTB’s management and other personnel. We hope the information and analyses presented in our report are helpful.

Sincerely,

Norma L. Ramos, CIA, CGAP
Director of Internal Audits

cc: The University of Texas at Brownsville
    Dr. Alan F. J. Artibise, Provost and Vice President for Academic Affairs
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Executive Summary

As part of approved audit plan included the FY 2013 Audit of Research Compliance.

The objective of the audit was to determine whether high risk research compliance areas are adequately monitored and managed to reduce and control risk.

Observations and recommendations for improvements were identified in the following areas:

- ✔ Formal Risk Assessment has not been conducted/document by management for the Division of Research
- ✔ Office of Sponsored Programs update its Monitoring Plans to include accurate and adequate oversight and document all monitoring controls.
- ✔ HOP policies under the responsibility for the Division of Research should be evaluated and updated
- ✔ Quarterly Compliance Certifications are not reporting accurate information
- ✔ Sponsored Programs develop a comprehensive training program for PI's, Program Directors and support staff working on sponsored programs

Internal Audits concluded that there were opportunities for improvements in the monitoring and management of the high risk research compliance areas to reduce and control risk. Implementation of the recommendations made in this report will help to strengthen the monitoring and management of the high risk research compliance areas to reduce and control risk.
Background Information

At the request of the University of Texas System Audit Office and the Board of Regents, all academic institutions were to conduct an Audit of Research Compliance to determine whether significant research compliance areas are adequately monitored and managed to reduce and control research risk.

The UTB Division of Research provides the oversight, expertise and guidance for all research activities throughout the university. The Division of Research includes the Office of the Vice President of Research, the Office of Sponsored Programs, Development Research Associates, Research Integrity and Compliance, and South Texas Technology Management in partnership with three other University of Texas System institutions – The University of Texas San Antonio, The University of Texas Pan American and The University of Texas Health Science Center San Antonio.

The Office of Sponsored Programs (OSP) serves as a central resource to promote, support and administer sponsored program awards. OSP provides pre and post-award services in generating and administering external awards in the pursuit of research, scholarly activities and public service. OSP ensures that the administration of sponsored programs is consistent with applicable laws, regulations and policies.

The function of Research Integrity and Compliance within the Division of Research is to promote and encourage ethical conduct in research at UTB and other collaborative research endeavors. It supports the Vice President of Research in serving the UTB research community by providing oversight in coordinating institution-wide research compliance policies, procedures and training within UT system guidelines, in collaboration with the Office of Corporate Compliance and institutional researchers. Research Integrity and Compliance assists researchers to navigate the complexities of federal, state and local regulations that impact research undertaken at academic institutions. Research Integrity and Compliance facilitates research integrity in the following areas: the use of human subjects and animals in research, biosafety, chemical and radiation safety, Conflict of Interest in Research & Intellectual Property, export controls and the responsible conduct of research.

Audit Objectives

The objective of the audit was to determine whether high risk research compliance areas are adequately monitored and managed to reduce and control risk.
Scope of Work
The audit scope was limited to the high risk areas identified for processes and procedures in Research Compliance. Questionnaires were developed and interviews of appropriate personnel were conducted to gain an understanding of the Research Integrity and Compliance functions and to verify if a person has been assigned responsibility for each high risk research compliance area to ensure appropriate controls are in place to mitigate the risk.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System’s Policies UTS 129 and the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing (Standards). The Standards set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to the Standards.

Audit Results
Risk Assessment
A Risk Assessment is the identification and analysis of risks to the achievement of a department's or budget unit's operations, financial and compliance goals and objectives. During our review, we noted a formal Risk Assessment has not been conducted/documentated by management for the Division of Research. However, Grants and Contracts is an area under the Vice President for Research and it has been assigned as a high risk area in the Institutional Risk Assessment. The Office of Compliance facilitated the university wide risk assessment.

The following have been identified as high risk areas under Grants and Contracts:

- Time & Effort Reporting
- Reduction in Effort
- Payroll Charges Exceeding Effort
- Commitment over 100%
- Unallowable Expenditures
- Cost Transfers
- Cost Sharing
- Reporting Requirements
- Non-Performance
- NIH Salary cap
**Recommendation:**
We recommend that the Office of the Vice President for Research and Sponsored Programs coordinate to conduct and document a formal Risk Assessment to reflect all high risk areas under Research Compliance are addressed.

**Management’s Response:**
*The Office of the Vice President for Research and the Office Sponsored Programs will coordinate to conduct and document a formal Risk Assessment to reflect all high risk areas under Research Compliance.*

**Implementation Date:** July 1, 2014

**Monitoring Plan**
A Monitoring Plan should be conducted in conjunction with performing a Risk Assessment for Research Compliance. The monitoring process should be based on a risk assessment, identification of the internal controls to be relied upon, identification of the monitoring strategies to be deployed, and how the results will be communicated to management.

During our review of the current Monitoring Plan, we noted the following:

**Time & Effort**
During our discussion with Sponsored Programs, the only monitoring activity conducted for Time & Effort is verification of 100% submittal of Certifications. The following weaknesses were previously identified during the FY10 Audit of Time & Effort Reporting and continue to exist:

- Time and Effort Monitoring Plan does not include all risks under Time and Effort to adequately mitigate risks.
- Roles and responsibilities over Time and Effort procedures are not clearly identified
- Minimal Time and Effort training
- No definition and communication of “suitable means of verification”
- Certification training guidelines are not accessible
- Effort Certification Reporting Tool (ECRT) processes

The following additional weaknesses were noted:

- Salary cost transfers are currently not routed through OSP
- Risk of cost transfers not completed on time is not adequately addressed
- Committed effort and salary cost sharing are not input into ECRT, therefore controls in place to monitoring reduction in effort, committed effort and salary cost sharing are
Reporting Requirements
Although OSP sends reminders for reports due, we noted OSP does not obtain confirmation that a report is submitted nor is a copy maintained in OSP. OSP keeps an excel sheet of all reports due. On a quarterly basis, this excel sheet is reviewed and report reminder emails are sent to the PI’s.

Non-Performance
During our review of the Non-Performance Monitoring, we noted on a quarterly basis, the GLSA report for all Fund 22 accounts is run to verify the balance on each account. For those grants which are identified as significantly under-spent, an email is sent to the PI as a reminder. However, no additional assistance is provided.

Unallowable Expenditures
During our review of monitoring of unallowable expenditures, we noted the following:

- Spot checks for each quarter are being done by selecting expenditures from prior quarter.
- Sample size is 19% (16 grants per year of 96 grants).
- For those instances when support has not been obtained, there is also no evidence that management is informed and no procedures are documented for escalation/consequences.
- Expenditure sample does not include Payroll. During Time & Effort Certification, there is no verification that an employee’s wages are allowed per grant funds.

Additional weaknesses were noted as follows:

- No evidence that support documentation was reviewed or allowable.
- No evidence of oversight control in place to verify monitoring of expenditures. (No signature of VP for Research or Manager)
- Instances of purchases of chemicals and a computer with procurement card, which is unallowable per our Institutional Procurement Card Policy.

Recommendation:
Currently, for those high risk areas identified under the Office of Sponsored Programs, there are minimal to no controls in place to mitigate the risks. We recommend OSP update its Monitoring Plan to include accurate and adequate oversight and document all monitoring
controls.

Management’s Response: OSP will update its Monitoring Plan to include accurate and adequate oversight and document all monitoring controls.

Implementation Date: July 1, 2014

Responsibility
The Institutional official responsible for Research Compliance at UTB is the Vice President for Research. Responsibilities include the oversight and administration of all research activities and ensuring compliance with applicable laws and regulations governing research.

The Office of Sponsored Programs is assigned, by the Vice President for Research, the responsibility for the monitoring of the risks addressed in the current Monitoring Plan.

Upon further review, we also noted 10 HOP policies under the responsibility for the Division of Research should be evaluated and updated. Some HOPs are very outdated.

<table>
<thead>
<tr>
<th>HOP#</th>
<th>Policy Title</th>
<th>Adopted</th>
<th>Last Revised</th>
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<td>9/10/10</td>
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<td>Organization of the Research Division</td>
<td>9/10/10</td>
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<td>Intellectual Property</td>
<td>4/7/08</td>
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Recommendation:
We recommend the Office of the Vice President for Research and the Office of Sponsored Programs coordinate to review and update applicable HOP Policies to adequately reflect appropriate responsibilities.
Management’s Response: The Office of the Vice President for Research and the Office of Sponsored Programs will coordinate to review and update applicable HOP Policies to adequately reflect appropriate responsibilities.

Implementation Date: July 1, 2014

Compliance Certifications
Certification is the assurance given by the “responsible party” that they are appropriately performing in their area of responsibility all operating and monitoring controls that are required. On a quarterly basis, the “responsible party” is required to sign a “Letter of Certification” which certifies that what is being reposted is indeed the facts. The OSP submitted Certifications letters for the following:

- Unallowable Expenditures
- Reporting Requirements
- Non Performance
- New Principal Investigator Briefing

After reviewing the FY2013 1st and 2nd quarter compliance certification reports, we noted the following weaknesses:

- Certifications for unallowable monitoring are submitted as "Compliant" even with instances when inspections are “In Progress”. For instance while reviewing the unallowable cost monitoring for FY13 2nd Quarter; we noted a grant status as “In Progress” since its initial selection during the 3rd Quarter of FY12.

Recommendation: We recommend that the Office of Sponsored Programs accurately submit quarterly Compliance Certifications which show actual progress of the monitoring activities.

Management’s Response: The Office of Sponsored Programs will accurately submit quarterly Compliance Certifications which show actual progress of the monitoring activities.

Implementation Date: Immediately (December 9, 2013)

Training:
The OSP currently offers an initial one-to-one grant briefing with each Principal Investigator. The briefing focuses on terms and conditions of the new award, general grant handouts and website information. All hand-outs provided can also be obtained on the website provided. No training is available for additional support staff or effort coordinators.
In the follow-up FY 2012 Inspection Report conducted by the Compliance Officer, it was observed that the briefing does not provide a broad understanding of overall compliance requirements; it is not mandated nor offered to grant support staff. The Compliance Office recommended that the OSP enhance training.

**Recommendation:**
The Office of Sponsored Programs should enhance training by developing a comprehensive training that will provide all PI's, Program Directors and support staff with a broader understanding of their role in compliance with rules, regulations and other standards, such as budget monitoring, allowability of costs, financial/performance reporting, calculating, effort, handling cost transfers and reporting cost sharing.

**Management’s Response:** The Office of Sponsored Programs will enhance training by developing a comprehensive training that will provide all PI's, Program Directors and support staff with a broader understanding of their role in compliance with rules, regulations and other standards, such as budget monitoring, allowability of costs, financial/performance reporting, calculating, effort, handling cost transfers and reporting cost sharing. Training will provided online as well as the implementation of a series of workshops offered every semester to faculty, staff and other personnel working on Sponsored Projects.

**Implementation Date:** Beginning January 1, 2014 and ongoing as new workshops are developed and the need for additional topics is indicated.

**Conclusion**
Internal Audits concluded that there were opportunities for improvements in the monitoring and management of the high risk research compliance areas to reduce and control risk. Implementation of the recommendations made in this report will help to strengthen the monitoring and management of the high risk research compliance areas to reduce and control risk.