March 8, 2013

Dr. Daniel:

We have completed an audit over *Time and Effort* Reporting as part of our Fiscal Year 2012 Audit Plan, and the detailed report is attached for your review. The objective of this audit was to assess the accuracy of time and effort reporting and to ensure compliance with federal regulations.

The audit resulted in three recommendations considered **significant** to University operations regarding monitoring, uploading payroll information into the eCert system, and ensuring the accuracy of information. Three other recommendations to enhance compliance over time and effort reporting are also included regarding enhancing the risk assessment and monitoring training plan, improving policies and procedures, and ensuring user access is properly authorized.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Please let me know if you have any questions or comments resulting from this audit.

Toni Messer Stephens  
Executive Director of Audit and Compliance
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Recommendations Considered Significant to University Operations
(1) Enhance Monitoring over Effort Certifications
(2) Improve the Process for Uploading Payroll Information into the eCert System
(3) Establish a Process to Ensure Effort is Accurate

Other Recommendations
(4) Enhance the Risk Assessment and Monitoring Plan (RAMP) Training
(5) Improve Policies and Procedures
(6) Develop a Process to Assign User Access to the eCert System

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Executive Summary

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<tr>
<th>Time and Effort Reporting</th>
<th>Responsible Party:</th>
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</thead>
<tbody>
<tr>
<td>Audit Report No. 1317</td>
<td>Dr. Bruce Gnade, Vice President for Research</td>
</tr>
<tr>
<td>Audit No. 12-23</td>
<td>Ms. Lori Taccino, Director of Contract and Grant Accounting</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditors Assigned:</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Charge: Dylan Becker, CPA</td>
</tr>
<tr>
<td>Ali Subhani, CIA, CISA, GSNA</td>
</tr>
<tr>
<td>Robert Hopkins, CFE</td>
</tr>
</tbody>
</table>

Audit Objective: To assess the accuracy of time and effort reporting and to ensure compliance with federal regulations.

Summary of Significant Audit Recommendations:

1. **Enhance Monitoring over Effort Certifications:** An effective monitoring process should be developed to comply with UT System policy and to reduce the risk of loss of funding for federally sponsored projects. This process should be based on a documented risk assessment methodology.

2. **Improve the Process for Uploading Payroll Information into the eCert System:** A process should be established to ensure the monthly payroll data files are uploaded in a timely manner into eCERT. Additionally, there should be sufficient time to review the accuracy and completeness of the data files to ensure any discrepancies are identified and corrected prior to final certification.

3. **Establish a Process to Ensure Effort is Accurate:** A verification process should be established to ensure that salaries and wages paid to employees charged to sponsored projects represents the actual expenditures of efforts from individuals. The salaries and wages paid should be compared to the actual efforts certified after each certification period and any discrepancies should be researched to ensure a PAF has been submitted to support the difference. Additionally, a process should exist to ensure Personnel Action Forms (PAFs) are processed in a timely manner to prevent salaries and wages from being re-allocated prior the end date of sponsored projects.

Other Recommendations

4. **Enhance the Risk Assessment and Monitoring Plan (RAMP) Training**
5. **Improve Policies and Procedures**
6. **Develop a Process to Assign User Access to the eCert System**

Conclusion: Overall, opportunities exist to strengthen compliance over the effort certification process. Additional processes and oversights are necessary to ensure compliance with UTS 163 and reduce the risk of inaccurate or untimely certified efforts.

**Does Management Agree with Recommendations?**
Yes ☑  No ☐

**Estimated Date of Implementation:**
All recommendations will be implemented by 8/31/13
Background

Time and Effort Reporting is a process mandated by federal regulations to ensure the percentages of efforts allocated to federally sponsored projects from Principal Investigators (PI) are accurate. OMB Circular A-21 has established the principles that each institution must follow to receive federal funds for sponsored projects. UT System policy UTS163\(^1\), Guidance on Effort Reporting Policies, “identifies the fundamentals of “UT System Guidance on Effort Reporting and Certification Policies,” by stipulating the critical policy areas and the minimum requirements for each policy area.” UTS163 also states that, “It is the responsibility of each UT institution to establish a system which conforms to the payroll confirmation requirement of OMB Circular A-21 as well as verifying an Individual's total professional effort.”

As part of the UT Dallas Compliance Program, Time and Effort Reporting has been identified by the UT Dallas Audit and Compliance Committee as a high-risk area. High-risk areas require specific and documented risk assessments, monitoring, training, and reporting procedures. Noncompliance with federal requirements over time and effort reporting could result in a loss of federal funding and potential fines.

Below is a summary of grants that were active during Fiscal Year 2012:

<table>
<thead>
<tr>
<th>Project Type</th>
<th># of Projects</th>
<th># of Principal Investigators</th>
<th>Sum of Funded Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>4</td>
<td>3</td>
<td>$1,133,588</td>
</tr>
<tr>
<td>Fellowship</td>
<td>5</td>
<td>5</td>
<td>$264,226</td>
</tr>
<tr>
<td>Instruction</td>
<td>21</td>
<td>15</td>
<td>$4,758,087</td>
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<tr>
<td>Other</td>
<td>25</td>
<td>21</td>
<td>$3,425,907</td>
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<tr>
<td>Public Service</td>
<td>25</td>
<td>16</td>
<td>$2,295,716</td>
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<tr>
<td>Research</td>
<td>524</td>
<td>185</td>
<td>$148,009,080</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>604</strong></td>
<td><strong>245</strong></td>
<td><strong>$159,886,605</strong></td>
</tr>
</tbody>
</table>

At UT Dallas, the Vice President (VP) for Research has been designated by the Audit and Compliance Committee as the responsible university official for time and effort reporting. The VP for Research has delegated the responsibilities for monitoring to the Director of Post-Award Management. The Office of the VP for Research provides guidance to the University on time and effort reporting via their website at [http://www.utdallas.edu/research/ecrt/](http://www.utdallas.edu/research/ecrt/).

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Although compliance with effort certification policies at UT Dallas is ultimately the responsibility of the VP for Research, the offices of Finance and Information Resources are also involved in the process. The Office of Finance is responsible for ensuring the accuracy and integrity of the payroll information maintained within PeopleSoft. Information Resources is responsible for the timely uploads of the data files into the eCERT software that is used by PI’s to certify their efforts.

Audit Objective

The objective of this audit was to assess the accuracy of time and effort reporting and to ensure compliance with federal regulations.

Scope and Methodology

The scope of this audit was fiscal year 2012 (September 1, 2011, through August 31, 2012). Our audit fieldwork concluded on January 25, 2013. To satisfy our objectives, we performed the following:

- Gained an understanding of time and effort policies and procedures by reviewing policies and other documentation as considered necessary to achieve our objectives.
- Conducted interviews with selected PI’s and employees in the Offices of Research, Finance, and Information Resources.
- Gained an understanding of the time and effort compliance program by reviewing the Risk Assessment and Monitoring Plan (RAMP).
- Gained an understanding of the effort certification system (eCert).
- Determined if UT Dallas policies and procedures complied with UT System and federal policies by comparing policies and procedures to actual processes.

Where applicable, our examination was conducted in accordance with guidelines set forth in The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.
Audit Results and Management’s Responses

Our audit work highlighted the following best practices:

✓ A process exists to ensure all PI’s have certified 100% of their efforts during each reporting period in a timely manner.

✓ Policies and related procedures exist that have included the definitions of key terms, roles and responsibilities of interested parties, and deadlines for efforts to be certified.

Although the above controls exist, we were unable to assess the accuracy of the certified efforts due to systems issues related to PeopleSoft (Gemini), and UT Dallas has not defined what constitutes suitable means of verification. An additional review will be completed during Fiscal Year 2013 where the accuracy of the certified efforts will be evaluated.

Recommendations Significant to University Operations

According to The UT System, a significant recommendation is defined as one that may be material to operations, financial reporting, or legal compliance. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonable low level.

Despite the above controls, the following recommendations are considered significant to University operations:

(1) Enhance Monitoring over Effort Certifications

UT System has established policies to comply with federal guidelines and regulations regarding effort reporting and certifications. UTS 163 states, “The designated responsible party (DRP) shall also ensure an effective monitoring process exists at the UT Institution. 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 executive management.”

The current monitoring process to ensure compliance with federal regulations was not based on a risk assessment, and the high-risk areas inherent within the certification process have not been documented. Additionally, the monitoring strategies developed have not included a sustainable process to comply with UT System policies.

2 http://www.utsystem.edu/bor/procedures/policy/policies/uts163.html
The monitoring process created at UT Dallas has included the validation that all PI’s have certified 100% of their effort in a timely manner, but it has not included strategies to monitor the high-risk areas. As a result, there is an increased risk that UT Dallas may not comply with federal regulations which could result in a loss of funding from federally sponsored projects.

**Recommendation:** An effective monitoring process should be developed to comply with UT System policy and to reduce the risk of loss of funding for federally sponsored projects. This process should be based on a documented risk assessment methodology.

**Management’s Response and Action Plan:**

**Response from Research**

The Office of Research will review and update policy UTD – PP1082 to comply with UT System Policy - UTS 163. The Office of Research will document our Effort Certification process to ensure all monitoring of effort is in compliance with those policies.

**Estimated Implementation Date:** 06/01/2013

**Responsible Party:** The Office of Research

(2) **Improve the Process for Uploading Payroll Information into the eCert System**

Efforts expended on federally sponsored projects are certified bi-annually in August and February. Currently, there is not an effective or efficient process to upload the payroll files into the time and effort reporting system (eCERT). This increases the risk that the data may not be accurate or certified in a timely manner.

The current process involves resources from three different departments. The Office of Finance extracts the payroll data used to determine the percentage of efforts allocated to federally sponsored projects by each PI for each certification period. Information Resources converts the data file created by the Office of Finance and uploads the information into eCERT. Post Award Management ensures 100% of the efforts from each PI have been certified. The payroll data files created by the Office of Finance are supposed to be sent monthly to Information Resources so sufficient time is allowed to review the accuracy of the data in a testing environment.
During Fiscal Year 2012, the payroll data files were not sent in a timely manner to Information Resources which limited the time available to conduct an effective review of the information to ensure its accuracy and completeness. Additionally, the current process to upload the payroll data files that are used to help PI's to certify their efforts is not sustainable.

**Recommendation:** A process should be established to ensure the monthly payroll data files are uploaded in a timely manner into eCERT. Additionally, there should be sufficient time to review the accuracy and completeness of the data files to ensure any discrepancies are identified and corrected prior to final certification.

**Management's Response and Action Plan:**

*Response from Finance*

Management agrees with the recommendation. *Improvements will be made in two phases:*

**Phase I**

Starting with the month of February closing, the Office of Accounting Operations will extract, review, update, reconcile and make the eCERT data available to Information Resources for upload into eCERT no later than the tenth working day after the official month end close.

**Phase II**

In this phase the eCERT data will be extracted electronically from the HCM system and the Finance system (for manual journal entries). The data from these two systems will be electronically consolidated with supplementary information required for eCERT and an eCERT file will be produce as part of the month end closing process. The Office of Accounting Operations will review the integrity of the file as part of the month end closing quality assurance process, subsequent to which, the file will be uploaded into eCERT. This approach has a potential for streamlining the process and therefore improving the timeliness of the information provided to eCERT.

**Estimated Implementation Date:**

**Phase I**

The procedure for this phase will be implemented with the February 2013 month end closing.
Phase II
The estimated implementation date for this phase is contingent on the availability of programming resources and the complexity of the effort involved, but it is estimated that the project should be completed no later than August 31, 2013. A work request has been submitted (JIRA ID #HCM-566) and a confirmation has been received from IR that work will commence in the month of March.

Responsible Party: Office of Finance

(3) Establish a Process to Ensure Effort is Accurate

OMB Circular A-21, Section J.10 (a) states, "(Compensation) includes salaries, wages, and fringe benefits. These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements… are determined and supported..." UTS163 states, "It is the responsibility of each UT institution to establish a system which conforms to the payroll confirmation requirement of OMB Circular A-21 as well as verifying an Individual's total professional effort."

A Personnel Action Form (PAF) is required to be submitted by a Primary Individual (PI) for a sponsored project when salary expenditures are moved from one account to another. The approval process for a PAF necessitates approval from the PI, the authorized signatory for the account, the Office of Post-Award Management, Human Resources, Budget, and then the Payroll Department. The cost centers and accounts are not impacted until approval is obtained from the Payroll Department and, as a result, sponsored projects during calendar year 2012 had closed prior to approval from the Payroll Department for the re-allocations of salary expenditures. We identified 11 sponsored projects that closed during calendar year 2012 where efforts for employees were certified as auto-approved at 0% for the effort certification period ending February 29, 2012; however, the cost centers dedicated to these sponsored projects showed total wages paid were $90,680.91.

Recommendation: A verification process should be established to ensure that salaries and wages paid to employees charged to sponsored projects represents the actual expenditures of efforts from individuals. The salaries and wages paid should be compared to the actual efforts certified after each certification period and any discrepancies should be researched to ensure a PAF has been submitted to support the difference. Additionally, a process should exist to ensure Personnel Action Forms (PAFs) are processed in a timely manner to prevent salaries and wages from being re-allocated prior the end date of sponsored projects.
Management's Response and Action Plan:

Response from Research
The Office of Research has a process to verify that effort changed in the ECRT system is followed up on to ensure that a PAF is processed for the discrepancies. The Office of Research will document the Business Process.

Response from Finance
The Budget Department and the Data Management section of the Payroll Department have implemented a process to ensure that all PAF's submitted within the established schedule have been entered before the payrolls for the month are processed.

Estimated Implementation Date: Research has implemented a verification process and will document it by 6/1/2013.

Finance has implemented corrective action.

Responsible Party: Office of Research for PAF verification process only. The Budget and the Payroll departments of the Finance division.

Other Recommendations
The following issues are not considered significant to University operations; however, they include deficiencies which could adversely impact the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with laws and regulations.

(4) Enhance the Risk Assessment and Monitoring Plan (RAMP) Training

The RAMP for Time and Effort Certification includes a section that outlines the training requirements for researchers as well as other faculty and staff involved in the process. The RAMP completed by the Office of Research has not specified which training is required to be completed by the PIs or how often this required training should be taken. The training plan also does not include other faculty and staff that may need to complete the training, such as those assisting with the certification process (fiscal officers, etc.). In addition, no guidance is given to what constitutes suitable means of verification regarding documentation of the researcher’s time and effort. As a result, there is an increased risk that researchers, faculty, and staff may not fully understand the federal regulations which could result in noncompliance.

Recommendation: We recommend that the Office of Research enhance the training plan within the RAMP.
Management’s Response and Action Plan: Office of Research will enhance the training plan within the RAMP.

Estimated Implementation Date: 06/01/2013

Responsible Party: Office of Research

(5) Improve Policies and Procedures

Policies and procedures over the time and effort reporting process should be enhanced as follows:

(a) During the audit, we were informed by the Office of Post Award Management that when certified efforts are not greater than 5% of calculated efforts on sponsored projects, a Personnel Action Form (PAF) is not required to be submitted. We were unable to locate a policy or procedure at UT Dallas, UT System, or OMB Circular A-21 that supports this process or methodology. While this appears to be an immaterial amount, best practices would indicate that this procedure be documented and periodically reviewed and benchmarked with peer institutions to ensure compliance with federal regulations.

(b) The Office of Post Award Management does not have a formal process to authorize individuals and document instances when someone other than the Primary Individual has certified efforts on sponsored projects. From certification periods ending February 2011 through February 2012, an employee within the Office of Post Award Management certified efforts on 1,459 occasions, representing approximately 32% of all certified efforts for this timeframe. As a result, there is an increased risk that adequate documentation may not be produced to support the reasons why someone other than the Primary Individual certified efforts on sponsored projects.

The documentation should include the project number, certification period, employees and efforts to certify, and a statement from the Primary Individual stating the reasons why they are unable to certify efforts. Additionally, this documentation should reside on a secured drive outside of emails and be accessible only by the authorized individuals.

Recommendation: Policies and procedures over the time and effort reporting process should be improved and periodically reviewed, especially regarding the submission of personnel action forms and documentation regarding certification from someone other than the Primary Individual.
Management's Response and Action Plan:

Response from Research
The Office of Research will review and update policy UTD – PP1082 to comply with UT System Policy - UTS 163. The Office of Research will document our Effort Certification process to ensure all monitoring of effort is in compliance with those policies.

Estimated Implementation Date: 06/01/2013

Responsible Party: The Office of Research

(6) Develop a Process to Assign User Access to the eCert System

A formal process to establish and remove access rights to eCert does not exist. We identified six Research employees, five Information Resources employees and two separated employees with system administrative roles within eCert. Additionally, five of the six Research employees and one of the separated employees also have central administrative roles within eCert. UTS 165, Section 4.3 states that each institution shall have procedures that address, “Reviewing, removing and/or disabling administrative/special access accounts at least annually, or more often if warranted by risk, to reflect current authorized user needs or changes on authorized user role or employment status.”

As a result, administrative access rights were not commensurate with the job responsibilities of employees, the granting or removal of access was not based on the needs of the users, and the removal of separated employees was not performed in a timely manner. Additionally, based on the number of employees within the department of Research that have been granted administrative access, combined with the lack of a formal process to control access rights, an increased risk for inadequate segregation of duties exists increasing potential opportunities for unauthorized or undocumented activities to occur that could go undetected and impact the effort certification process.

Recommendation: A formal process should be developed and documented to grant employees access to eCert. Additionally, the access roles should be evaluated on a periodic basis to ensure a proper segregation of duties exists and users have the appropriate access based on their job responsibilities.

3 http://www.utsystem.edu/bor/procedures/policy/policies/uts165.html
Management’s Response and Action Plan:

Response from Research
The Office of Research will develop a formal process and document such for granting employees access to eCert and will review periodically.

Estimated Implementation Date: 06/01/2013

Responsible Party: The Office of Research

Conclusion

Overall, opportunities exist to strengthen compliance over the effort certification process to ensure compliance with federal and UT System policies and procedures.