Sponsored Projects Administration Compliance Internal Audit Report
Project # 2014-40
August 25, 2014

Reviewed by: Dr. Ricardo Romo
President
EXECUTIVE SUMMARY
Sponsored Projects Administration Compliance Audit Report
Project # 2014-40

OBJECTIVES
➢ Verify institutional compliance with the salary cap limitations set by the National Institute of Health (NIH).
➢ Ensure cost transfers are processed in accordance with institutional requirements.
➢ Determine whether direct charges to federal awards were for allowable costs according to institutional requirements.

RECOMMENDATIONS
➢ Establish monitoring procedures for NIH salary cap limitations.
➢ Review salary payment errors in excess of the applicable NIH salary cap to determine the corrective action needed.
➢ Establish procedures to ensure cost transfers are submitted and processed in a timely manner.
➢ Establish procedures to ensure Cost Transfer Request Forms are consistently utilized and supporting documentation to substantiate the cost transfer is retained.

SCOPE
We reviewed the processes utilized by the Office of Sponsored Programs Administration and the Office of Grants and Contracts Financial Services to approve payroll and non-payroll cost transfers, to determine cost allowability, and to adhere to salary cap limitations set by the National Institute of Health (NIH) for federal awards. We reviewed a sample of grant expenditures, including cost transfers and NIH salary payments for the period of September 1, 2012 – May 31, 2014. Interviews were conducted with personnel from the Office of Sponsored Programs Administration and the Office of Grants and Contracts Financial Services.

CONCLUSION
The Office of Sponsored Projects Administration complies with federal requirements for Cost Allowability. Opportunities to strengthen compliance with the National Institute of Health salary cap limitations and cost transfers exist.
Background

The Federal Office of Management and Budget (OMB) establishes guidance to ensure grants are properly managed and that grant dollars are spent in accordance with applicable laws and regulations. Currently, OMB Circular A-21, "Cost Principles for Educational Institutions" and OMB Circular A-110, "Uniform Administrative Requirements for Grants & Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" provide guidance for determining costs to grants, contracts, and other agreements with educational institutions are appropriate and allowable.

However, OMB has released the Uniform Guidance that will combine all federal grant administrative, cost accounting and audit policies into one circular and will become effective December 26, 2014.

The Handbook of Operating Procedures (HOP) contains specific research policies including guidance on Sponsored Projects Administration and Cost Transfers.

For this audit, the following three research compliance areas were reviewed:

1. **Cost Transfers**
   Cost transfers are the transferring of costs to or from a sponsored account of a charge that was previously recorded on another account or from another funding source. Cost transfers from one project to another are occasionally necessary to correct bookkeeping or clerical errors in an original charge. However, frequent, unexplained, inadequately explained, or tardy transfers could raise questions about the propriety of the transfer as well as the reliability of the University's accounting and internal control systems.

2. **Cost Allowability**
   Restrictions on purchases made on federal awards are listed in the Catalog of Federal Domestic Assistance for the grant, funding agency information, and applicable OMB Circular. The Office of Sponsored Project Administration monitors grant transactions to ensure certain expenditures do not occur as direct charges such as membership and social dues, food, computers, and furniture.

3. **NIH Salary Cap**
   Every year since 1990, Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under a National Institute of Health grant. Effective January 2014, the NIH Salary Cap is $181,500.
Monitoring Responsibilities and Oversight

The Principal Investigator (PI) is responsible for:

- Reviewing expenditures on a monthly basis to determine if all charges to the Sponsored Program are Allowable and Allocable;
- Ensuring cost transfers are necessary, allowable, allocable and comply with applicable federal, state, UT System and UTSA rules, regulations, policies and procedures;
- Ensuring the salary of an individual does not exceed the applicable NIH salary cap limitation for a NIH funded grant.

Additionally, UTSA has two areas that provide guidance, monitoring, and oversight of federal grants management.

- The Office of Grants and Contracts Financial Services reports to the Associate Vice President for Financial Affairs and ultimately to the Vice President for Business Affairs. The Office of Grants and Contracts Financial Services sets up grant accounts and completes financial reporting for the funding agencies.
- The Office of Sponsored Project Administration reports to the Vice President for Research. The Office of Sponsored Projects Administration provides guidance to six Research Service Centers who provide assistance to Principal Investigators and departments on daily grant financial management.
AUDIT RESULTS

Audit Objective: Verify institutional compliance with the salary cap limitations set by the National Institute of Health.

NIH Salary Cap Limitations

The salary payments of fifteen employees with salaries at or exceeding the National Institute of Health (NIH) salary cap were reviewed. Eight of the fifteen employees’ salary payments were in excess of the salary cap in amounts ranging from $2,200 to $14,300 for periods during September 2012 – May 2014.

Ensuring compliance with the NIH salary cap is currently the responsibility of the Research Service Centers (RSC). The RSCs review the budget proposals, which include the salary costs, prior to submission to the funding agency and receive the final budget approved by the funding agency. However, individual departments enter the salary appointments for the PIs on the grants into the accounting system. RSCs are not included in the approval routing of salary appointments for sponsored project awards and do not have view access to the module within the accounting system to verify salary appointment information.

Recommendation:

Establish monitoring procedures for NIH salary cap limitations.

Management’s Response:

The Office of Sponsored Project Administration (OSPA) acknowledges and agrees with the finding and recommendation. OSPA will make efforts to implement and improve processes involving the Research Service Center staff monitoring of personnel appointments and salary expenditures.

1) To standardize monitoring of NIH salary cap limitations for new grants, the RSC staff will work closely with department/college staff personnel to ensure proper allocation of the salary to the NIH grant at the time of processing personnel appointments in PeopleSoft and to verify that the excess salary is charged to another funding source utilizing a Cost Sharing/Matching Funds Request form.

2) Additionally, with the availability of PeopleSoft payroll feeds, OSPA’s effort certification and reporting system (ECRT) will be upgraded in the Fall of 2014. This upgrade will allow for excess NIH salary cap issues to be flagged thereby alerting RSC staff to know when cost corrections or appointment updates would be necessary.
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<th><strong>Responsible Person:</strong></th>
<th>Assistant Vice President for Sponsored Project Administration</th>
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| **Implementation Date:** | 1) November 30, 2014  
|                        | 2) February 28, 2015 |

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<tr>
<th><strong>Recommendation:</strong></th>
<th>Review salary payment errors in excess of the applicable NIH Salary Cap to determine the corrective action needed.</th>
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<td><strong>Management’s Response:</strong></td>
<td>The Office of Sponsored Project Administration (OSPA) acknowledges and agrees with the finding and recommendation. For the samples identified in this audit as charges on NIH grants in excess of the salary cap, OSPA will coordinate with the College of Sciences Research Service Center Director and the Grants and Contracts Financial Services Director (GCFS) to transfer these unallowable costs from the NIH grant to an institutional account. Coordination with and cooperation of the departments must also occur in making the corrective salary expense transfers. Revised Financial Reports will also need to be prepared by GCFS where applicable.</td>
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<td>November 30, 2014</td>
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Audit Objective: Ensure cost transfers are processed in accordance with institutional requirements.

Cost Transfer Roles and Responsibilities

The oversight and management of cost transfers is the responsibility of multiple parties. Specifically:

- Principal Investigators are responsible for ensuring cost transfers are necessary, allowable, allocable, and comply with federal, state, UT System and UTSA policies and procedures.
- The Office of Sponsored Project Administration (OSPA)/Research Service Center (RSC) Reviews and approves all Cost Transfer transactions ensuring the requested cost adjustments or changes comply with appropriate policies, rules and regulations.
- Beginning in May 2014, Grants and Contracts Financial Services reviews and posts all non-payroll cost transfers to the official accounting records. Previously, the non-payroll cost transfers were processed by the Research Service Centers.

Cost Transfer Documentation

While no cost transfers sampled were inappropriate based on the information provided, the cost transfers did not consistently utilize and retain the Cost Transfer Request Form and supporting documentation to justify the cost transfer. Specifically, two of the thirteen cost transfers sampled did not have the cost transfer request form and adequate supporting documentation. Supporting documentation for an additional two of the thirteen could not be located.

Recommendation:

Establish procedures to ensure Cost Transfer Request Forms are consistently utilized and supporting documentation to substantiate the cost transfer is retained.

Management’s Response:

The Office of Sponsored Projects Administration and the Research Service Center staff will continue to strive to ensure Cost Transfer Request Forms are utilized and substantiated with supporting documentation.

With the policy of Grants and Contracts Financial Services posting all non-payroll cost transfers, there is less chance of inadequate or missing documentation to occur.

Since the implementation of PeopleSoft on May 1, 2014, personnel appointment retroactive funding source changes on grant funds will be manually routed by the Budget Office to the respective Research Service Center for their approval during the
interim process. This will result in the RSC staff being aware that a salary cost transfer request form will need to be completed by the department. Once workflow is fully implemented in PeopleSoft (anticipated Spring 2015), the RSCs will receive for approval the grant funded personnel appointment change directly from the department at which time a salary/wage cost transfer request form would need to have been fully processed.

**Responsible Person:** Assistant Vice President for Sponsored Projects Administration

**Implementation Date:** March 30, 2015

### Timeliness of Cost Transfer Requests

Five of the thirteen cost transfers sampled were not requested within 90 days of the original transaction. The cause of the tardiness of four of the five cost transfers is stated on the Cost Transfer Form as being the late set up of new grant accounts or late renewal of existing accounts.

The Office of Sponsored Projects Administration policies state cost transfers requested more than 90 days after the original transaction will only be processed if the transfer benefits the sponsored project. One of the five cost transfers did not benefit the funding agency, but was still processed.

**Recommendation:** Establish procedures to ensure cost transfers are submitted and processed in a timely manner.

**Management’s Response:** The Office of Sponsored Projects Administration and the Research Service Center staff will continue to work closely with PI, department staff, and Grants and Contracts Financial Services to improve cost transfer processing.

Specifically, the Research Service Centers will continue to work towards the timeliness of award set ups and updates necessary for charging of expenses to the appropriate account. Additionally, several of the Research Service Centers are working with departments to improve account reconciliations which should aid in a more timely recognition of costs that need to be transferred.

**Responsible Person:** Assistant Vice President for Sponsored Projects Administration

**Implementation Date:** November 30, 2014
Audit Objective: Determine whether direct charges to federal awards were for allowable costs according to institutional requirements.

Allowable Costs: All seventeen direct charges to grants sampled were allowable grant expenditures. There were no direct charges to grant account for items such as membership and social dues, food, computers, and furniture.

CONCLUSION: The Office of Sponsored Projects Administration complies with federal requirements for Cost Allowability. Opportunities to strengthen compliance with the National Institute of Health salary cap limitations and cost transfers exist.

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Director, Auditing and Consulting Services  
Laura Buchhorn  
Audit Manager

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