UTSA. The University of Texas at San Antonio™
AUDITING & CONSULTING SERVICES

Sponsored Research Projects Uniform Guidance – Reporting Compliance
Internal Audit Report
Project # 2017-40
December 4, 2017

Reviewed by: _____
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President

Objectives:
Determine whether UTSA has procedures in place to ensure compliance with Uniform Guidance reporting requirements for sponsored research projects.

Conclusion:
Active sponsored research projects have outstanding financial, special and performance reports, including invoicing. The current methods to monitor outstanding reporting requirements to ensure compliance with Uniform Guidance and funding agency requirements need improvement.

Observation:
➢ Reporting requirements for sponsored research projects are not being accurately recorded in order to monitor and identify outstanding reporting requirements. The current environment is high risk and could lead to loss of current and future sponsored research projects. (High)

A Priority Finding is defined as "*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.*" Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated. This audit resulted in one High finding.

Additional Consulting Services:
Sponsored Projects Administration requested consulting services from Internal Audit to identify issues and additional actions needed to correct existing cash management and billing issues. In September 2017, Internal Audit provided a walkthrough of the billing process with gaps that led to the existing issues to Sponsored Projects Administration. It was determined that trending and analyzing of the root causes of known issues and the development of mechanisms/monitoring controls was needed to reduce and eliminate the reoccurrence of the existing issues.

In December 2017, Huron Consulting Services was hired to provide professional expertise and consulting services and to assist in the optimization of PeopleSoft Grants and Contracts modules. The scope of work included the following:
➢ Review of key business processes,
➢ Provide business process mapping assessment,
➢ Develop new job aids and enhance existing job aids,
➢ Assist with the reconciliation of open receivable accounts, and
➢ Provide training sessions as needed.
At the time of this report, the consulting is underway.

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Uniform Guidance	The Office of Management and Budget (OMB) created Uniform Guidance to streamline the Federal government's guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. OMB aimed to more effectively focus federal resources on improving performance and outcomes of research while streamlining administrative processes when possible. The effective date for Uniform Guidance Title II CFR Part 200 was December 26, 2014 and applies to UTSA for new, continuations, or existing sponsored research project awards for which additional funding is provided after that date.
Uniform Guidance Reporting Requirements	Uniform Guidance Section §200.302 states that accurate, current, and complete disclosure of the results of each Federal award must be made in accordance with the sponsored research projects reporting requirements.
	Uniform Guidance Section §200.343 states that the non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the award.
	Uniform Guidance Section §200.338 states remedies for non-compliance (with sponsored research projects requirements) may include terminating existing awards and withholding future awards.
Single Audit – Uniform Guidance Testing	OMB requires, as a condition of federal funding, non-federal entities that expend more than $750,000 in federal awards in a single year to obtain annual single audits. Texas Higher Education Institutions receiving federal funding are included in the Research and Development Cluster portion of the State of Texas Single Audit conducted by the State Auditor's Office (SAO). For both FY 2016 and FY 2017, the Research and Development (R&D) cluster qualified as a low risk by the SAO's review of Uniform Guidance requirements; therefore, no work was conducted in the R&D Cluster. The SAO will select the R&D Cluster for testing for the FY 2018 Single Audit. UTSA was last selected by the SAO for R&D Cluster testing in 2012 and could potentially be included in the FY 2018 Single Audit.
Compliance Supplement	The OMB releases Compliance Supplements to assist in ensuring compliance with Uniform Guidance audit requirements. The Compliance Supplement has audit testing procedures for 12 compliance areas. One compliance area with frequent findings at other universities in the FY 2015 State of Texas Single Audit conducted by the SAO was Reporting.

Responsible Parties

Grants and Contracts Financial Services (GCFS), the Quality Assurance & Risk Management (QARM) Director, and the Research Service Centers (RSC) have a role in ensuring reporting requirements are met. Under the Vice President for Research, Grants and Contracts Financial Services and the QARM Director report to the Assistant Vice President for Research Finance and Operations and the Research Service Centers (RSC) report to the Associate Vice President for Sponsored Project Administration.

This restructuring became effective December 1, 2017. See abbreviated Vice President for Research Organization Chart below.
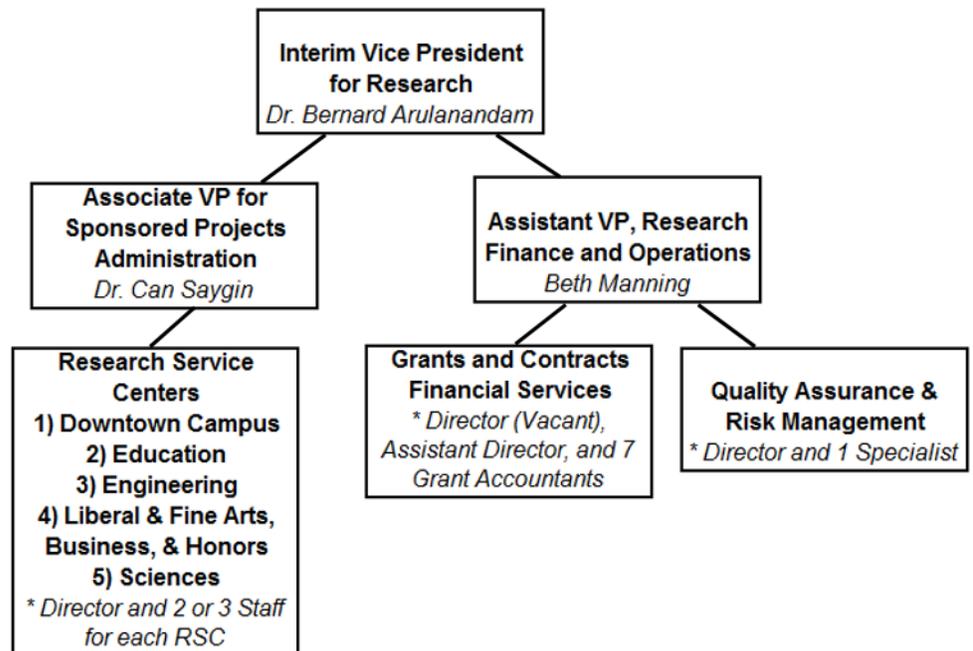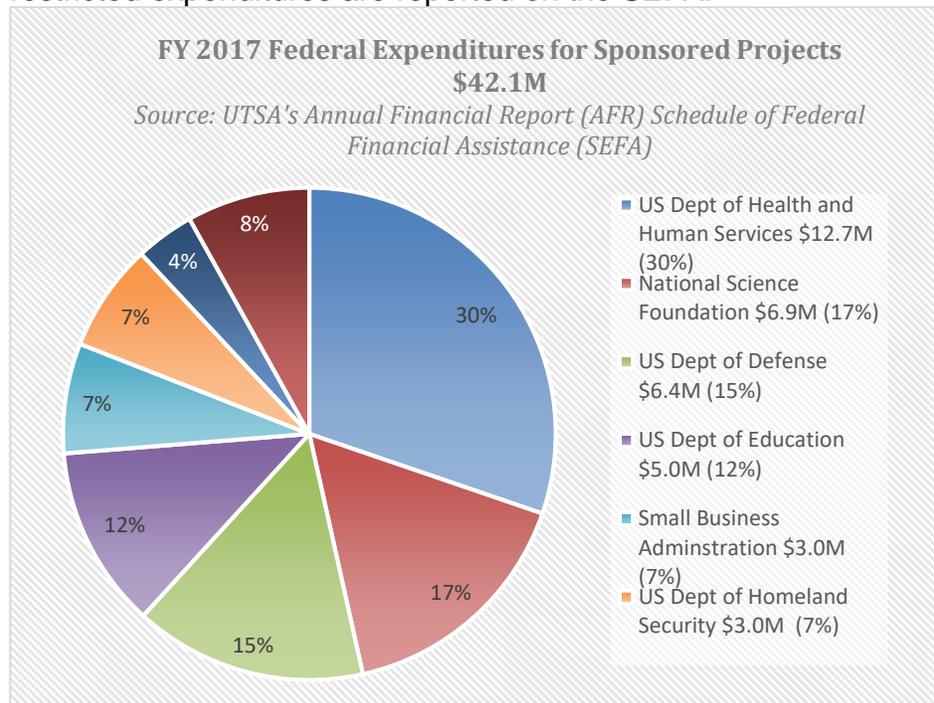
FY17 Expenditures

Restricted external expenditures were $63.9M for FY17. Restricted external expenditures is a metric utilized by U.S. News to rank colleges for potential students. Restricted external expenditures include federal expenditures that require compliance with Uniform Guidance.

Restricted External Expenditures	
$40.1M	Restricted External Research
$23.8 M	Restricted External Non-Research
$63.9 M	Total

Research expenditures, both external and internal, were $68.1M for FY17. Research expenditures is a metric utilized by the National Science Foundation Higher Education Research and Development to trend research and development activities at US Colleges and Universities.

Research Expenditures	
$40.1M	Restricted External Research
$28.0 M	Internal (University Funds) Research
$68.1 M	Total

The graph below highlights UTSA's FY17 Annual Financial Report (AFR) expenditures for all federal sponsored projects, both research and non-research, of $42.1M by federal funding agency. The chart above includes all externally restricted expenses.   Only federal restricted expenditures are reported on the SEFA.

FY 2017 Federal Expenditures for Sponsored Projects $42.1M
Source: UTSA's Annual Financial Report (AFR) Schedule of Federal Financial Assistance (SEFA)

- US Dept of Health and Human Services $12.7M (30%)
- National Science Foundation $6.9M (17%)
- US Dept of Defense $6.4M (15%)
- US Dept of Education $5.0M (12%)
- Small Business Adminstration $3.0M (7%)
- US Dept of Homeland Security $3.0M (7%)

Objective: Determine whether UTSA has procedures in place to ensure compliance with Uniform Guidance reporting requirements.

Reporting Requirements for Awards	In FY 2017, over 700 externally funded research projects had transactions in PeopleSoft. Each project typically has an annual performance-reporting requirement, an annual financial reporting requirement, and periodic billing/invoicing requirements. The Associate Vice President for Sponsored Projects Administration requires new project award information to be recorded in PeopleSoft's Grants Module and for all reporting, except monthly invoicing, requirements to be recorded and updated on the PeopleSoft Award Profile Milestones tab. ➢ The <u>financial reporting requirements</u>, such as invoicing and annual financial reports, are entered by the Grants and Contracts Financial Services (GCFS) team. ➢ The annual <u>performance and special reports</u> are entered by the Research Service Center (RSC) teams.
Monitoring Reporting Requirements	GCFS is responsible for completing financial reporting requirements and the RSC are responsible for ensuring the researchers complete performance and special reports. To assist in tracking reporting requirements, monthly reports are run by the VPR Director of Research Computing and Communications and a Grant Accountant and provided to both GCFS and the RSC. Specifically, ➢ The PeopleSoft's Award Profile Milestone Report (UTS_OSPA_GMAWARD_MILESTONE) indicates which reporting requirements are expected to come due in the next 45 days, ➢ The Award Expirations Report (UTS_OSPA_PROJECT_INFORMATION) indicates awards expiring within 30, 60, and 90 days and, ➢ The Burn Rate Report (UTS_OSPA_BURN_RATE_NEW) extracts data from the PeopleSoft Award Profile and the Commitment Control (KK) ledger. It includes all sponsored research projects expenditure levels as of month end.

Outstanding Reporting Requirements	As reports are completed and submitted to the sponsor, GCFS and RSC teams are to update the Milestone tab in the PeopleSoft Award Profile page to reflect completion.

During this audit, GCFS disclosed that active awards have outstanding financial reports. Additionally, the invoicing to funding agencies to request reimbursement of expenses has not been timely. |

High Observation:	Internal Audit obtained sponsored research projects documents for a sample of twelve active sponsored research projects. When comparing the reporting requirements to the information entered into the PeopleSoft Award Profile Milestones tab, the sponsored research projects reporting requirements were not being accurately recorded. Specifically, five active sponsored research projects did not have milestones recorded.

Additionally, when sponsored research projects reporting requirements are completed, updates are not being consistently made in the PeopleSoft Award Profile Milestones tab. Specifically, six active sponsored research projects had past due milestones.

The current PeopleSoft Award Profile Milestones reports are limited to reporting requirements due within the next 45 days and does not include reporting requirements that are past due. |
| **Risk Level (High):** | Becoming current on all outstanding financial reporting and invoicing requirements is an urgent need for Grants and Contracts Financial Services. The current environment is high risk and could lead to loss of current and future awards. |
| **Management's Action Plan:** | Huron Consulting Services has recently been contracted to conduct a business process mapping assessment on several GCFS related areas of which maintaining award milestones and tracking of due dates will be addressed.

GCFS and RSC staff will be re-trained on how to enter and update financial reporting and progress reporting milestones. The Quality Assurance & Risk Management (QARM) Director will routinely monitor the maintenance of the Award Milestones.

The QARM Director will request UTSA Business Information Services (BIS) to develop a milestone query for past due reports and this will be issued to GCFS and RSCs monthly. |

Currently, PeopleSoft is limited to 30 milestones being entered. The QARM Director will request UT System Shared Information Services (SIS) to increase this limitation and to better define milestone reporting types. In order to improve the recording and tracking of reports due, an example of what will be proposed is below. The proposed change will need to be coordinated and agreed upon by the other UT Share Schools and SIS.

MILESTONE TYPES

BILL	Key Billing Milestone
CLS-A	Activity Period Closeout Due
CLS-F	Final Closeout Due
CLS-R	Reopen Closeout Period
EQP-F	Final Equipment Report Due
EQP-O	Other Equipment Report Due
FSR-A	Annual Financial Status Report
FSR-F	Final Financial Status Report
FSR-O	Other Financial Status Report
FSR-R	Revised Financial Status Report
INV-F	Final Invoice Due
INV-M	Monthly Invoice Schedule
INV-O	Non-monthly Invoice Schedule
INV-R	Revised Invoice
OTHR	Other Sponsor Report
PRG-A	Annual Progress Report
PRG-F	Final Progress Report
PRG-O	Other Progress Report
PTN-F	Final Patent/Invention Due
PTN-O	Other Patent/Invention Due

An initiative will be set forth to backfill the entry of milestones on unexpired awards.

Efforts put forth to achieve the aforementioned will lead to increased timeliness with reporting and will lower institutional risk.

Because federal awards typically have standard reporting requirements with due dates based on award period of performance the federal awards can be addressed immediately using the anniversary dates as a guide to assess current and past due reports. Queries will be run on a monthly basis to determine what is due in the current month. In addition, to help assess past due federal reports each federal payment management system website will be reviewed to determine if they have an available report that summarizes delinquent

	reports for the institution. If so, this information will be downloaded and summarized on a monthly basis. These queries and reports will be distributed to the RSC and GCFS staff to help prioritize report completion and submission.
Responsible Person:	Assistant Vice President for Finance Research and Operations, Beth Manning
Responsible Vice President:	Dr. Bernard Arulanandam, Interim Vice President for Research
Implementation Date:	<u>Initial implementation</u>: 02/28/2018 • Request submitted to BIS to develop query for past due reports. • Detailed request to change the current available milestones submitted to SIS. • Review of all federal payment management systems will be completed and information will be summarized to include website reporting elements. • Staff will be also be re-trained on how to enter and update milestones. <u>Subsequent implementation</u>: 03/31/2018 • The vacant GCFS Director position will be filled. • The milestone query will be updated to include past due milestones. • Intermediate tracking reports for federal awards will be developed using the available data from the federal payment management systems and provided to RSC and GCFS staff. <u>Full implementation</u>: 08/31/2018 This target date is dependent on SIS being able to modify the milestone types as proposed, increasing the number of milestones that can be entered, and GCFS and RSC's being able to catch up on entering milestones where this is missing on unexpired awards.

CONCLUSION | Active awards have outstanding financial, special and performance reports, including invoicing. Improvement is needed on the methods utilized to monitor outstanding reporting requirements to ensure compliance with Uniform Guidance and funding agency requirements.

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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.