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

Payroll Confirmation Internal Audit Report
Project # 2018-41
November 14, 2018

Reviewed by: _Taylor Eighmy_
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President   12-7-18

Objectives:
- Determine if UTSA has procedures in place to ensure a clear understanding of Uniform Guidance Payroll Confirmation responsibilities.
- Determine if the salaries of all employees paid with Federal Grants funds are certified timely in accordance with Uniform Guidance.
- Ensure General IT Controls (access controls, backup, disaster recovery, and change management) exist and are monitored for the Payroll Confirmation System.
- Ensure the integrity of payroll data utilized in payroll confirmations by comparing to salary amounts submitted to funding agencies.

Conclusion:
UTSA's Payroll Confirmation process for certifying that salaries and wages paid to employees working on federal sponsored projects are reasonable for the work performed complies with Uniform Guidance. However, Uniform Guidance Payroll Confirmation policies, procedures, and responsibilities should be updated to ensure the completeness and timeliness of Payroll Confirmations. The Payroll Confirmation application does not comply with Office of Information Security Standards for documenting and monitoring access management, change management, and backup/disaster recovery procedures. Additionally, change management and the use of superuser accounts in the Payroll Confirmation application needs improvement.

Management Action Plans for Non-Priority Observations:
1. Guidance and instruction on the new payroll confirmation process on the Office of Sponsored Projects website and the in Handbook of Operating Procedures 10.05 Managing and Certifying Effort on Sponsored Programs will be updated. (High)
2. Payroll Confirmations will be completed timely in order for corrections to be identified and corrected timely in payroll records and grant drawdowns/reimbursements. (Medium)
3. Hourly employees paid with federal grant funds will be included in Payroll Confirmations. (Medium)
4. Adherence to Office of Information Security Standards for access controls, backup, disaster recovery, and change management will be documented and monitored. (Medium)
5. Appropriate segregation of duties will be put in place for IT Change Management processes. (High)
6. Superuser accounts for the Research Computing Team will be removed and the use of super user accounts will be documented and monitored. (High)
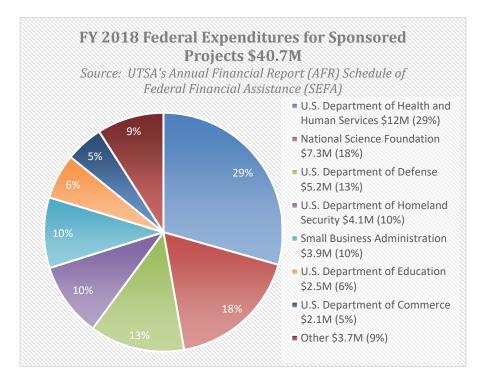
A Priority Finding is defined as "*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.*" Non-Priority Findings are ranked as High, Medium, or Low, with 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 3 High and 3 Medium-level findings, but no Priority Findings.

Background

In August 2018, the Presidential Initiative on Research Excellence launched with the goal of creating a world-class public research university in San Antonio. The Office of Vice President for Research, Economic Development, and Knowledge Enterprise maintains a dashboard of grant proposals and awards, research expenditure comparisons and trends, and expenditure burn rates to assist the UTSA community.   UTSA's FY18 Federal Expenditures for Sponsored Projects were $40.7M.

FY 2018 Federal Expenditures for Sponsored Projects $40.7M
Source: UTSA's Annual Financial Report (AFR) Schedule of Federal Financial Assistance (SEFA)

- U.S. Department of Health and Human Services $12M (29%)
- National Science Foundation $7.3M (18%)
- U.S. Department of Defense $5.2M (13%)
- U.S. Department of Homeland Security $4.1M (10%)
- Small Business Administration $3.9M (10%)
- U.S. Department of Education $2.5M (6%)
- U.S. Department of Commerce $2.1M (5%)
- Other $3.7M (9%)

Federal research expenditures are regulated by Office of Management and Budget (OMB) as well as grant specific regulations. OMB issued Uniform Guidance to reduce the administrative responsibilities on award recipients and strengthen internal controls to prevent the misuse of funds.   Uniform Guidance 2 CFR §200.430 *Compensation – Personal Services* allows flexibility for recipients of federal awards to certify that the salaries and wages paid to employees working on a sponsored project are reasonable for the work performed. Recipients must ensure:

- ➢ The payroll confirmation process conforms to established written policies and federal guidance,
- ➢ Documentation exists to support the salary charges, and
- ➢ Internal controls exist to ensure accurate and complete reporting.

In response to Uniform Guidance, the Office of Vice President for Research, Economic Development, and Knowledge Enterprise implemented a new Payroll Confirmation process in 2017. The new process allows Principal Investigators (PIs) to confirm payroll charges for all employees paid with their externally sponsored projects, both federal and

non-federal. The salary charges for the preceding six month period are confirmed semi-annually for the periods ending February 28th and August 31st.
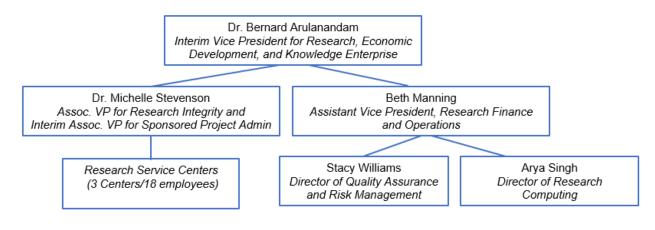Statistics of Payroll Confirmations under the new process are as follows:

	Six months ended August 31, 2017	*Six months ended February 28, 2018*	*Six months ended August 31, 2018*
# of PIs receiving Payroll Confirmations	*193*	*162*	*209*
# of PIs receiving federal awards	*150*	*130*	*162*
# of total projects on Payroll Confirmations	*443*	*353*	*408*
# of total federal projects on Payroll Confirmations	*306*	*251*	*282*
Date Payroll Confirmation Sent Out	*March 12, 2018*	*July 26, 2018*	*November 19, 2018*
Status as of November 14, 2018	*193 of the 194 complete **	*153 of the 163 complete **	*N/A*

When comparing the six months ended February 28, 2018 to the six months ended August 31, 2017, the decline is due to less awards. However, newer awards have had a higher dollar value.

* The payroll confirmations incomplete are in the process of being corrected by the Research Service Centers and the PI in the PeopleSoft Accounting System and subsequently in the Payroll Confirmation application. Each Payroll Confirmation is expected to be complete after corrections are made.

The Director of Quality Assurance and Risk Management, with the assistance of the Director of Research Computing, coordinates the bi-annual Payroll Confirmation process. The Research Service Centers work with Principal Investigators to ensure compliance with Uniform Guidance and UTSA's Payroll Confirmation process.

Audit Results
Payroll Confirmation Internal Audit Report
Project # 2018-41

Objective: Determine if UTSA has procedures in place to ensure a clear understanding of Uniform Guidance Payroll Confirmation responsibilities.

Clarity of Responsibilities	Guidance and instruction on the current Payroll Confirmation process is not readily available. Effort was certificated in Huron's ECRT System for the six months ending February 2017 and prior. The guidance on the Office of Sponsored Projects website explains the ECRT process.
Observation #1:	Guidance and instruction on the new payroll confirmation process is not available on the Office of Sponsored Projects website at http://research.utsa.edu/research-funding/time-effort/. Additionally, Handbook of Operating Procedures (HOP) 10.05 Managing and Certifying Effort on Sponsored Programs was last updated in December 2013 and is outdated: https://www.utsa.edu/hop/chapter10/10-5.html.
Risk Level:	Lack of clearly defined guidance and instruction for those responsible for confirming payroll could lead to a misunderstanding of the purpose and responsibility to comply with UTSA's payroll certification and Uniform Guidance requirements. Additionally, the university could be subject to external audit findings for procedures that do not comply with Uniform Guidance. This is considered a HIGH risk to the University.
Management's Action Plan:	The previous website for Effort Reporting through ECRT http://research.utsa.edu/research-funding/time-effort/ has been removed and replaced with the Sponsored Projects Payroll Confirmation Reporting website http://research.utsa.edu/research-funding/payroll-confirmation-report/. This website explains the Payroll Confirmation process, includes login information for Principal Investigators, provides instruction to help faculty navigate the new system, and directs faculty who to contact with questions. Detailed Sponsored Projects Payroll Confirmation Reporting Procedures and the HOP 10.05 Managing and Certifying Effort on Sponsored Programs will be updated to reflect current process and to conform with Uniform Guidance.

Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations Dr. Michelle Stevenson, Associate VP for Research Administration
Implementation Date:	February 28, 2019 - Office of Sponsored Projects Payroll Confirmation Reporting Procedures will be updated and available on the website by the end of the next reporting period. January 30, 2019 - Submission to the HOP committee to revise - HOP 10.05 Managing and Certifying Effort on Sponsored Programs

Objective: Determine if the salaries of all employees paid with Federal Grants funds are certified timely in accordance with Uniform Guidance.

Timeliness of Confirmations	Payroll Confirmations should occur timely in order for corrections to be identified and corrected timely in payroll records and grant drawdowns/reimbursements. §CFR 200.430 Compensation – Personal Services states significant changes in the corresponding work activity should be identified and entered into the records in a timely manner.

Observation #2:	Payroll Confirmations for the six months ended August 31, 2017 were sent to Principal Investigators seven months after the six month period ended. Payroll Confirmations for the six months ended February 28, 2018 were sent to Principal Investigators five months after the six month period ended.
Risk Level:	Untimely Payroll Confirmation could result in uncorrected errors. Uncorrected payroll charges are considered a MEDIUM risk to the University because they could lead to payroll expense not charged to the correct grant, incorrect grant drawdowns/reimbursements, and inaccurate annual accounting reports.
Management's Action Plan:	The Office of Research Finance and Operations will send Payroll Confirmations to the Principal Investigators within 45 days of the six months period ending.

	The Office of Research Finance and Operations will continue to include deadlines for Principal Investigators to certify the Payroll Confirmations and will continue to follow up and escalate issues as needed for those that do not certify by the deadlines.
Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations
Implementation Date:	April 15, 2019

Confirmations of Hourly Employees	Payroll Confirmations should include all payroll charges for each grant. §CFR 200.430 Compensation – Personal Services states charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Hourly employees such as graduate research assistants and lab assistants are currently excluded from the Payroll Confirmations because hourly employees complete timesheets, as required by university policy. Excluding some salaries and wages from Payroll Confirmations results in an incomplete picture of all payroll charges for each grant in the reporting period. Adding hourly employees to the Payroll Confirmations should not increase the number of PIs that are required to complete Payroll Confirmations because hourly employees work on grants that are already included in the Payroll Confirmation process.

Observation #3:	Payroll Confirmations do not include hourly employees such as graduate research assistants and lab assistants.
Risk Level:	An incomplete picture of all payroll charges to each grant on the Payroll Confirmation could result in uncorrected errors. Uncorrected hourly employee payroll charges are considered a MEDIUM risk to the University because they could lead to payroll expense not charged to the correct

	grant, incorrect grant drawdowns/reimbursements, and inaccurate annual accounting reports.
Management's Action Plan:	Management concurs with this observation and will add hourly employees to the Payroll Confirmations for the six months ended February 28, 2019, and going forward.
Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations Arya Singh, Director of Research Computing
Implementation Date:	February 28, 2019

Objective: Ensure General IT Controls (access controls, backup, disaster recovery, and change management) exist and are monitored for the Payroll Confirmation System.

Information Security Standards	UTSA's Office of Information Security (OIS) Standards include: • OIS 1: Standard for Account Management - Data Owner will make sure there are documented procedures/processes in place for assigning, maintaining and deleting access to all owned information. • OIS 14: Standard for Enterprise Backup and Data Recovery - All UTSA data must be backed up according to risk management plans developed by the Data Owner. Procedures involving UTSA and the off-site backup storage vendor(s), if any, must be documented and reviewed at least annually. Each department must maintain a documented recovery plan designed to restore service in the event of a disaster or significant outage. • OIS 11: Standard for Disaster Recovery - Campus units must ensure that critical data are backed up periodically and copies maintained in an off-site location. Campus units must develop and maintain written recovery procedures for natural and man-made disasters. These plans must be available to staff at all times. • OIS 5: Standard for Change Management (Computing Systems) - Each department is responsible for defining and documenting its own change management processes, covering changes to resources such as operating systems, computer hardware, networks, and applications and applying the practice to all multi-user systems.

In the 2011 Internal Audit, "Research Administration IT General Controls", management documented action plans to develop, document, and determine the sufficiency of procedures related to access management, backup, disaster recovery, and change management.

Observation #4:	Payroll Confirmation Applications Access Management and Change Management procedures were not formally documented. Backup and Disaster Recovery processes were referred to OIT and were also not formally documented.
Risk Level:	Inappropriate users granted and retaining access rights to the Payroll Confirmation application is considered a MEDIUM risk to the University. Application modifications are performed through inconsistent processes and could result in lost or inaccurate data. Data may be lost or unusable though lack of backup or recovery processes.
Management's Action Plan:	Management will formally document the Payroll Confirmation Applications Access Management and Change Management procedures in accordance with the Office of Information Security Standards. In addition, Backup and Disaster Recovery processes will be formally documented.
Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations Arya Singh, Director of Research Computing
Implementation Date:	March 31, 2019

Observation #5:	One Research Computing programmer modifies, tests, and implements changes to the Payroll Confirmation application. No individual independent of the change is structurally required to test or approve the change prior to implementation the production environment which is in violation of OIS 5: Standard for Change Management (Computing Systems).
Risk Level:	An application programmer with the ability to modify the application infrastructure without the knowledge or approval of the application owner is considered a HIGH risk. In the event of

	the loss and rebuild of the application, undocumented changes could be missed.
Management's Action Plan:	Appropriate segregation of duties will be put in place for Payroll Confirmation IT Change Management Processes. All changes now currently require Director level approval before implementation. System documentation will be implemented to document and track all changes and tests conducted on the application.
Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations Arya Singh, Director of Research Computing
Implementation Date:	January 15, 2019

Observation #6:	The Director of Research Computing and three members of the Research Computing team that are responsible for the administration of the Payroll Confirmation application had super user capabilities to certify Payroll Confirmations. This is in violation of OIS 1: Standard for Account Management.
Risk Level:	Application administrators without firsthand knowledge of the payroll charges to a grant with the ability to certify Payroll Confirmations is considered a HIGH risk.
Management's Action Plan:	Superuser accounts for the Research Computing development team have been removed. Only the Director of Research Computing is able to provide certification on PI's behalf after receiving approval from either the Assistant Vice President for Research Finance and Operations or the Associate Vice President for Research Administration. Documentation will be provided to detail the process by which someone other than the PI can certify Payroll Confirmations.
Responsible Person:	Beth Manning, Assistant Vice President for Research Finance and Operations Arya Singh, Director of Research Computing
Implementation Date:	January 15, 2019

Objective: *Ensure the integrity of payroll data utilized in payroll confirmations by comparing to salary amounts submitted to funding agencies.*

Reimbursement Submissions	The salary charges for five federally sponsored grants from three PI's Payroll Confirmations were reconciled to the corresponding reimbursement submissions from the applicable funding agency with no discrepancies.
Conclusion	UTSA's Payroll Confirmation process for certifying that salaries and wages paid to employees working on federal sponsored projects are reasonable for the work performed complies with Uniform Guidance. However, Uniform Guidance Payroll Confirmation policies, procedures, and responsibilities should be updated to ensure the completeness and timeliness of Payroll Confirmations. The Payroll Confirmation application does not comply with Office of Information Security Standards for documenting and monitoring access management, change management, and backup/disaster recovery procedures. Additionally, change management and the use of superuser accounts in the Payroll Confirmation application needs improvement.

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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.