

**UT Southwestern**  
Medical Center

**Sponsored Programs Administration  
Audit**

**Internal Audit Report 17:08**

**October 10, 2017**

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## Executive Summary

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### Background

The UT Southwestern (Medical Center) Sponsored Programs Administration (SPA) department is the central point of coordination for research and sponsored programs within the Medical Center and is the authorized representative for grants, contracts and other agreements from external sponsors. SPA's primary mission is to facilitate the administration of the award lifecycle, from pre-award through post-award closeout. As part of this mission, SPA's goal is to deliver high quality services in an efficient and professional manner in compliance with sponsor rules and regulations. The team assists academic departments in the advancement of research and sponsored activities, while ensuring the integrity of the institution's research enterprise through proper stewardship of extramural funding.

Principal Investigators (PI) and department administrators submit proposals to SPA for review and authorization prior to submittal to an external agency or sponsor. PIs and department administrators have responsibility to understand their award(s), including budget amount, restrictions, reporting requirements and special terms and conditions. Throughout the life of the award, PIs and department administrators are to spend funds in accordance with the award agreement and UTSW policy and federal or state policies, monitor funds monthly and address any discrepancies related to sponsored award expenditures in a timely manner. The PI and department must submit accurate research reporting in accordance with federal, state regulations, and sponsor agreements. SPA supports research and other sponsored programs by assisting in proposal development, reviewing and endorsing proposals, negotiating agreements, accepting and authorizing awards, interpreting sponsor rules and guidelines, and providing post-award research administration services.

SPA reports directly to the Vice President for Financial Affairs, with dual reporting to the Chief Operating Officer (COO) of Academic Affairs, and is comprised of fifty-seven (57) full-time employees. The team has adopted a lifecycle management approach, referred to as SPA Pods, to research administration and teams within the department are organized to manage sponsored awards from the proposal stage of a project through termination, or closeout, of an award. This comprehensive approach helps the teams better understand the entire cycle of an award in all of its stages, rather than only gaining familiarity with one phase.

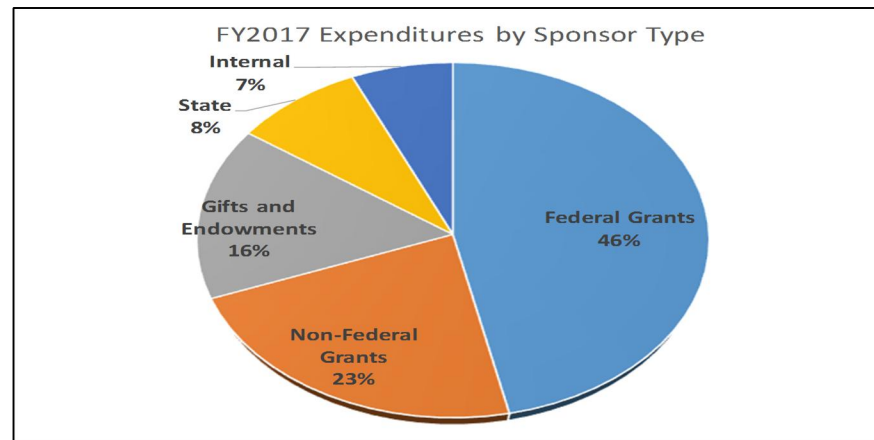
Below are the five lifecycle phases:



## Executive Summary

Grant activities are managed via the PeopleSoft Grants module and the eGrants application, which includes workflow to facilitate the tracking and approval of key steps in the grant lifecycle.

Total grant expenditures in FY2017 were \$429M. This chart provides a summary by sponsor type. Appendix B provides additional details on expenditures by department.



### Scope and Objectives

This audit is part of the Fiscal Year 2017 Institutional Internal Audit Plan and focused on key financial and operational activities. This audit focused on the post-award phase including related research award management monitoring and controls. The audit scope period is fiscal 2017 through the present.

Overall objectives for the review include determining the adequacy and effectiveness of processes and internal controls in place to ensure:

- Accuracy and timeliness of budget set up and adjustments as needed
- Adequacy of reconciliation of letter of credit amounts
- Effectiveness of compliance monitoring procedures
- Monitoring controls are in place to ensure proper accounting and use of government research funds
- Compliance with laws and regulations as well as Institutional policies and procedures

## Executive Summary

We conducted our audit according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

### Conclusion

Institutionally, executive oversight and monitoring activities require enhancement to ensure accountability is clearly defined, roles and responsibilities are defined, training plans are developed and training completion is monitored.

Overall monitoring of sponsored programs administration can be improved to incorporate a risk-based methodology to the quarterly monitoring procedures, improve timeliness of award subledger setup and actively manage and reduce the number of grants approved outside of eGrants.

Included in the table below are the observations noted, along with the respective disposition of the observations within the Medical Center internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (1)	Medium (7)	Low (1)	Total (9)
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There were no priority issues identified in the audit. Key improvement opportunities risk-ranked as high and medium are summarized below.

### Institutional Opportunities

- n **#1 Enhance Executive Oversight of Research Administration** – Principal Investigators, department leadership and SPA all play a role in monitoring sponsor budgets, expenses and reporting, however, it is unclear who has ultimate accountability for ensuring issues are corrected and resolved, and proper plans are put in place.
- n **#2 Standardize Roles and Responsibilities for Key Responsible Parties** – SPA has developed a Standard Roles and Responsibilities Matrix to delineate responsibilities of PIs, departments and SPA, but it has not been implemented or communicated and it does not reflect all roles and responsibilities currently in practice. Roles and responsibilities for department staff performing key grant compliance activities are not clearly defined in job descriptions.
- n **#3 Ensure Award Overdrafts are Monitored and Corrected** – Active award subledgers with a deficit balance can result in the need to charge other non-grant subledgers with grant related expenses.
- n **#4 Develop Training and Education Programs** – Standard and required onboarding training programs for research activities are not in place for new PIs, department administrators and coordinators who are responsible for initiating research within the Medical Center.

## Executive Summary

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### Sponsored Programs Administration Opportunities

- n **#5 Enhance SPA Monitoring Controls** – The current monthly monitoring methodology does not take into account key risk factors and prior identified issues to ensure high-risk departments or Principal Investigators are selected for review.
- n **#6 Improve Timeliness Of Review and Approval for Awards Set Up** – Department and PI approval timelines are not clearly defined to ensure timely set up of award subledgers.
- n **#7 Reduce the Number of Grants Approved Outside of eGrants** – Awards are approved and managed outside of eGrants, increasing the risk that appropriate approvals may not be obtained prior to sponsor approval.
- n **#8 Update Accounts Receivable Follow Up Procedures to Ensure Timely Collection** – Inconsistent follow up procedures with both the applicable departments and study sponsors has contributed to the uncollectability of grant related accounts receivable.

Action plans have been developed for each of the opportunities identified above. Additional details for key improvement opportunities are presented in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to thank the Sponsored Programs Administration, Provost's Office and Academic Information Systems teams for the courtesies extended to us and for their cooperation during our audit.

Sincerely,

Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive

**Audit Team:**

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## Executive Summary

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## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
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# Institutional Opportunities



## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>1. Risk Rating: High <span style="color: orange;">n</span></b></p> <p><b>Enhance Executive Oversight of Research Administration</b></p> <p>Enhanced executive oversight of sponsored programs activities is needed to ensure monitoring is in place to identify and address issues in a timely manner. While there are various functions that have critical roles, overall executive oversight still needs improvement.</p> <p>Principal Investigators (PIs), department leadership and SPA all play a role in monitoring sponsor budgets, expenses and reporting, however it is unclear who has ultimate accountability for ensuring issues are corrected and resolved, and proper plans are put in place.</p> <p>Lack of clarity in executive oversight and monitoring of institutional research activities increases the risk of non-compliance with grant provisions.</p>	<p>Enhancements to executive oversight will ensure institutional research processes, people, and systems decisions are reviewed, vetted, and approved, with proper reporting and monitoring of critical risk factors.</p> <ol style="list-style-type: none"> <li>1. Coordinate with the Provost's Office to define optimal formal oversight structure to include key required management, monitoring and oversight activities.</li> <li>2. Update current oversight structure to include defining key responsible parties, policies and procedures and tools to aid departments in monitoring activities.</li> <li>3. Develop monitoring activities to ensure expected controls are operating as intended.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. In conjunction with the Provost's Office, SPA will define executive oversight structure and required monitoring and oversight activities to include: new award set up, monthly monitoring of grant activities, quarterly risk assessment and reporting of key and recurring issues noted during quarterly reviews.</li> <li>2. As a part of #1 above, define key individuals and update policies, procedures, and tools for department guidance.</li> <li>3. In addition to the quarterly risk assessment results, define key monitoring activities.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>Assistant Vice President, Sponsored Programs Administration</p> <p>Vice President and Chief Operating Officer, Academic Affairs</p> <p>Vice President, Financial Affairs</p> <p><b><u>Target Completion Dates:</u></b></p> <p>January 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium <span style="color: yellow;">n</span></b></p> <p><b>2. Standardize Roles and Responsibilities for Key Responsible Parties</b></p> <p>A standard roles and responsibilities matrix has been developed to delineate responsibilities between PIs, departments and SPA. These roles and responsibilities are posted on the SPA intranet site. However, this matrix does not reflect the roles and responsibilities currently in practice.</p> <p>For example, Cash Management facilitates receipt and posting of billing and revenue activities, however, their role is not depicted in the matrix.</p> <p>Lack of clear roles, responsibilities and accountability increases the risk of non-compliance with regulations and policies and increases the risk of loss of funding.</p> <p>Roles and responsibilities for individuals performing key grant compliance activities are not clearly defined in job descriptions. These individuals, performing research and grants related activities at the departments, may have a non-research related title and perform research activities as a part of their assigned responsibilities.</p> <p>For example, the clinical and non-clinical Research Coordinators may have conflicting duties (i.e., inadequate segregation of duties) such as responsibilities for billing and collecting from sponsors while performing administrative activities for the department.</p>	<ol style="list-style-type: none"> <li>1. Update the matrix to establish clearly defined roles and responsibilities for SPA, Departments, PIs and any other research-related parties.</li> <li>2. Communicate the matrix to all appropriate parties.</li> <li>3. Coordinate with Human Resources and the Provost's Office to develop job responsibilities for department employees handling awards and research activities, including compliance and administrative activities.</li> <li>4. Establish training requirements to ensure a comprehensive, required, and recommended education and training core.</li> <li>5. Provide formal communication and training of policies and procedures to ensure they are understood.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. Based on agreed upon governance structure developed in #1 above, update the Roles and Responsibilities Matrix and establish a standard review schedule to ensure ongoing accuracy.</li> <li>2. Upon approval of the updated Roles and Responsibilities Matrix by the Executive oversight group, SPA and the Provost's Office will communicate the matrix to all responsible parties.</li> <li>3. Provost's Office to coordinate with SPA and Human Resources to review use of job titles for department employees performing research-related activities and develop plan to implement standardized job duties for employees responsible for key grant activities.</li> <li>4. Based on agreed upon management structure developed in #1, develop a training plan for key employees involved in grant activities.</li> <li>5. Based on agreed upon management structure developed in #1, communicate current updates and future planned updates on policies and procedures.</li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Lack of clear roles, responsibilities and accountability for training increases the risk of non-compliance with regulations and policies and increases the risk of loss of funding.</p>		<p><b><u>Action Plan Owners:</u></b>            Vice President and Chief Operating Officer, Academic Affairs            Associate Vice President, Office of Human Resources Administration            Assistant Vice President, Sponsored Programs Administration</p> <p><b><u>Target Completion Dates:</u></b>            1. – 2. January 31, 2018            3. – 4. June 30, 2018            5. July 31, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium <span style="color: yellow;">n</span></b></p> <p><b>3. Ensure Award Overdrafts are Monitored and Corrected.</b></p> <p>Departments and PIs are responsible for monitoring grant related financial activity. Currently, SPA has responsibility to assist and advise PIs on the financial condition of the award.</p> <p>More than 400 active awards in fiscal year 2017 had a deficit. The largest deficit was \$800,000.</p> <p>Deficits are typically due to overspending. Lack of monitoring of budget vs spend activity can result in the need to charge grant related expenses to other subledgers.</p> <p>Without proper monitoring of grant budget vs spend activity, overspending can result in expenses, which must be absorbed by the Medical Center.</p>	<p>Recently, SPA initiated monthly deficit communications to the departments, which resulted in some departments beginning to correct and update subledgers based on feedback from the departments. Additionally, this further facilitated communication between SPA and the departments to review and correct issues.</p> <p>In addition, SPA is rolling out a revised closeout process, which will utilize PeopleSoft system controls to prevent encumbrances from posting after the award end.</p> <p>Continue to monitor deficits and coordinate with the departments to not only correct, but also implement procedures to ensure overspending does not occur.</p>	<p><b><u>Management Action Plans:</u></b></p> <p>Currently and on an on-going basis, the Compliance Supervisor will review all deficits prior to issuance of the communication to determine additional monitoring and/or follow-up activities to be completed by the post-award team. Monitoring and follow-up activities will be communicated to the Post Award Director and Shared Services Manager. Based on review of deficits and monitoring activity, the Compliance Supervisor will determine if any additional communication/coordination with the Provost's Office is necessary to address reoccurring issues with PIs/Departments.</p> <p>Additionally, SPA is working to develop an award setup QA process that will be implemented in the very near-term. This process will provide an additional opportunity for SPA to confirm that the award is set up correctly and amend the award to ensure that budget is appropriate and the billing limit is correct.</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b><u>Action Plan Owners:</u></b>            AVP, Sponsored Programs Administration            Compliance Supervisor, Sponsored Programs Administration            Manager, SPA Shared Services            Director, Post-Award Services, Sponsored Programs Administration            COO, Provost's Office</p> <p><b><u>Target Completion Dates:</u></b>            Active award deficit monitoring – January 1, 2018            Expired Award resolution – August 31, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium <span style="color: yellow;">n</span></b></p> <p><b>4. Develop Training and Education Programs</b></p> <p>Standard and required onboarding training programs are not in place for Principal Investigators, department administrators, coordinators and other key personnel to provide details on expectations and process for sponsored programs requirements.</p> <p>SPA conducts routine training sessions, however attendance is not required. Standard training plans are not in place to ensure new admins, coordinators and employees handling grants are properly trained on standard processes. Department personnel rely on assistance to resolve issues as they arise from the SPA Pod contacts assigned to their department.</p> <p>Lack of training for key sponsored program requirements may result in non-compliance with grantor requirements.</p>	<ol style="list-style-type: none"> <li>1. Coordinate with executive leadership to build an onboarding process to include the different sponsored program requirements and components for the PIs starting research.</li> <li>2. Update or create additional training resources and materials as part of formalizing a PI training plan, including refresher sessions.</li> <li>3. Implement a policy for making key training mandatory for all persons involved in sponsored research.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. SPA developed and deployed a <a href="#">Research Resources</a> site on the intranet. The site is for incoming PIs and includes checklists, contacts and links to various research departments to facilitate the onboarding process. Areas of collaboration include: ARC, Center for Translational Medicine, COI, Export Control, IACUC, IRB, Library, Safety and Business Continuity. This new site was presented in the All-Pod meeting held August 3, 2017.</li> <li>2. As SPA revises procedures, these will be communicated in presentation form along with procedural documents for use. This will also include enhancing or updating existing training materials or plans for FY2018. SPA has been developing a training to support Accounting &amp; Fiscal Services' rollout of the Grants Expenditures Reviewer. SPA is prepared to lead training when Accounting is ready to implement.             <ol style="list-style-type: none"> <li>a. Faculty onboarding program to be developed in coordination with the Provost's Office, Human Resources and SPA.</li> </ol> </li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p>b. As output of Compliance Teams' review and identification of issues, the Compliance Team, AVP for SPA, Directors and functional team will determine how to address potential or perceived issues. As part of this process, if training is determined to be a key cause or contributing factor, the functional team will enhance existing material or develop new material to support business process change(s).</p> <p>3. Once training plans and resources are finalized, a policy will be created to define training requirements.</p> <p><b><u>Action Plan Owners:</u></b></p> <p>AVP, Sponsored Programs Administration            Director, Post-Award Services, Sponsored Programs Administration            Compliance Supervisor, Sponsored Programs Administration            COO, Academic Affairs            AVP, Human Resources</p> <p><b><u>Target Completion Dates:</u></b></p> <p>1. June 30, 2018            2. Ongoing throughout FY2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
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# Sponsored Program Administration Opportunities



## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium <span style="color: yellow;">n</span></b></p> <p><b>5. Enhance SPA Monitoring Controls</b></p> <p>The department has a current quarterly review monitoring process for reviewing posting and reconciling activities using a risk assessment methodology including history of identified issues and an equal number of selections per SPA team. However, the methodology does not ensure high risk grants or PIs are selected for review and does not take into account:</p> <ul style="list-style-type: none"> <li>· Key risk factors, such as grantor type, total dollars, prior reported issues,</li> <li>· Prior identified risks of noncompliance, and</li> <li>· Provision that all PIs be reviewed over a certain timeframe.</li> </ul> <p>In addition, SPA does not provide scorecards or dashboards as part of these monitoring and reporting efforts. This is critical for ensuring appropriate corrective actions are taken to reduce risks and management is aware of key metrics.</p>	<ol style="list-style-type: none"> <li>1. Enhance the risk-based methodology to identify high-risk grants, including grantor, total grant dollars, PI prior experience and prior identified risk factors in a scorecard.</li> <li>2. Select grants for review based on overall risk with rotation of medium and low risk grants to ensure each grant is evaluated annually.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. To incorporate a more risk-based review, SPA will re-focus selection criteria on a score based system to select departments, awards and PI's for review.</li> <li>2. SPA will develop standard operating procedures to outline the selection scoring criteria and annual review plan to assure all awards within the identified risk scoring parameters are reviewed within the plan year.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>AVP, Sponsored Programs Administration Compliance Supervisor, Sponsored Programs Administration</p> <p><b><u>Target Completion Dates:</u></b></p> <p>November 15, 2017 to develop score-based approach; execution monitoring throughout FY2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response									
<p><b>Risk Rating: Medium</b> <span style="color: yellow;">n</span></p> <p><b>6. Improve Timeliness of Award Subledger Setup</b></p> <p>Approval timelines are not closely monitored to ensure grant subledgers are set up in a timely manner so the grants expenditures are accurately recorded.</p> <p>SPA inputs key grant information into eGrants and sends this information to the department for review and approval prior to subledger setup in PeopleSoft. Once department approval is obtained, the subledger should be active within 12 days by the SPA team for direct awards. Timely approval by the departments and timely subledger set up by SPA is not consistently in place.</p> <p>Timeliness of award set up for 390 awards during fiscal year 2017 identified the following exceptions:</p> <table border="1" data-bbox="113 943 770 1174"> <thead> <tr> <th></th> <th># of Grants with Departments for approval</th> <th># of Grants with SPA for approval</th> </tr> </thead> <tbody> <tr> <td><b>Between 12 &amp; 25 days</b></td> <td>42 (11%)</td> <td>63 (16%)</td> </tr> <tr> <td><b>&gt; 25 up to 161 days</b></td> <td>20 (5%)</td> <td>46 (12%)</td> </tr> </tbody> </table> <p>When there are delays in subledger set up, there is increased risk of departments recording transactions in inappropriate accounts unrelated to the grants awards.</p>		# of Grants with Departments for approval	# of Grants with SPA for approval	<b>Between 12 &amp; 25 days</b>	42 (11%)	63 (16%)	<b>&gt; 25 up to 161 days</b>	20 (5%)	46 (12%)	<ol style="list-style-type: none"> <li>1. Develop and communicate guidelines for timely approval by department personnel to ensure timely set up and activation of subledgers.</li> <li>2. Utilize system enhancements to monitor and reinforce timeliness standard within the SPA team for subledger set up.</li> <li>3. Produce reporting and implement escalation protocols when departments do not meet the timeline requirements.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <p>The Interim AVP has been working with SPA teams, Academic Information Systems (AIS) and the Provost's Office to determine how to consistently meet the goal and reduce the awards setup goal to under 10 business days.</p> <ol style="list-style-type: none"> <li>1. SPA and AIS have discussed how to improve the eGrants functionality for both Advance Accounts and Award Setup upon NOA receipt.             <ol style="list-style-type: none"> <li>a. To support the Advance Accounts workflow, a new advance account activity will be created in eGrants. AIS is in the process of making the eGrants changes in the Development environment. Once complete, SPA will test and confirm the functionality. SPA will begin communication to departments and PIs before instituting the process. For Award Setups, the Interim AVP has drafted a proposed process whereby if the department does not respond to SPA within a defined timeframe, SPA will proceed with setup based on the information available.</li> <li>b. AIS is confirming if/how the eGrants changes will impact PeopleSoft or reports (EDW or otherwise) used by other units.</li> </ol> </li> </ol>
	# of Grants with Departments for approval	# of Grants with SPA for approval									
<b>Between 12 &amp; 25 days</b>	42 (11%)	63 (16%)									
<b>&gt; 25 up to 161 days</b>	20 (5%)	46 (12%)									

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p>c. Upon AIS confirmation of changes and determining impact and options, SPA will work with the Provost's Office to begin communication and discussion around the changes, which includes clearly defined timelines for department responsiveness.</p> <p>2. SPA reports will be updated to reflect when Award Setups have not been approved by the department/PI.</p> <p><b><u>Action Plan Owners:</u></b>            AVP, Sponsored Programs Administration            Director, Post-Award Services, Sponsored Programs Administration            Assistant Vice President, Academic Information Systems</p> <p><b><u>Target Completion Dates:</u></b>            December 31, 2017 - Advance Accounts            February 28, 2018 - Award Setup Changes</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b> <span style="color: yellow;">n</span></p> <p><b>7. Reduce the Number of Grants Approved Outside of eGrants</b></p> <p>Departments and PIs work with sponsors to obtain approvals for grants outside of the eGrants application, increasing the risk that grants are not processed and tracked appropriately.</p> <p>In some instances, SPA receives the approval notice from the department and adds the grant in eGrants after a grantor notice of approval is received.</p> <p>During FY2017, 219 grants and continuation of grants were added in eGrants after grantor notice of approval. 35% of these grants were related to two departments.</p>	<ol style="list-style-type: none"> <li>1. Communicate to the departments the importance of processing the proposals through SPA and implement a policy to restrict setup outside of eGrants.</li> <li>2. Develop and implement escalation procedures to notify department leaders when PIs are not following the process or complying with requirements.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. SPA in coordination with Academic Affairs will implement a policy to restrict external proposals submissions outside of eGrants.</li> <li>2. SPA, in conjunction with the Provost's Office, will require that the department chair communicate the requirements to the PI and have the department chair sign-off on external sponsor subledger setup prior to SPA completing the award set up process.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>Supervisor, Proposal Team Director, Pre Award Team AVP, Sponsored Programs Administration Chief Operating Officer, Academic Affairs</p> <p><b><u>Target Completion Dates:</u></b></p> <p>December 31, 2017</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b> <span style="color: yellow;">n</span></p> <p><b>8. Update AR Follow Up Procedures to Ensure Timely Collection</b></p> <p>Grant related accounts receivables, totaling \$20M, contain expired accounts receivable aged back to 2013. A focused review was initiated which has resulted in \$4M in collections, \$5M in write-offs, \$4.1M in reversals, and continuing collection efforts for \$3.1M.</p> <p>Inconsistent billing and follow up procedures by SPA have resulted in the aging of these amounts. SPA initiated a detailed review and analysis of these accounts for collectability, write off amount, deferred revenue etcetera. Delayed or inconsistent follow up procedures result in loss of funds and decreased cash flow.</p>	<ol style="list-style-type: none"> <li>1. Continue the collectability analysis and identify root cause of collectability issues. Based on analysis, implement procedures to reduce ongoing collectability issues.</li> <li>2. Enhance billing and collections follow up procedures to ensure timely invoicing and billing based on sponsor requirements.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. For expired AR, a status report on all outstanding AR (with aging schedule) is reviewed weekly with the Vice President for Financial Affairs.  SPA is reallocating resources to provide necessary post-award support and resolution. As part of this shift, a dedicated resource will be responsible for all AR aged 90+ days, escalating to the Post-Award Director as needed. This shift in focus will enable regular oversight/monitoring of AR, attention to AR reports and identification of risks well before they become an issue.</li> <li>2. Current AR (expired and active): The SPA Billing team is actively monitoring outstanding AR and conducting follow-ups with the sponsor/Prime institution. The first communication occurs via email. If unsuccessful, follow-up occurs via phone or is escalated to the Post-Award Director.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>AVP, Sponsored Programs Administration Director, Post-Award Services, Sponsored Programs Administration</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b>Target Completion Dates:</b></p> <p>On-going AR Monitoring – Implemented</p> <p>Dedicated AR Oversight of AR &gt;90 days – upon hiring of FTE with a target of December 31, 2017</p>
<p><b>Risk Rating: Low n</b></p> <p><b>9. Implement Tracking and Reporting of Cost Transfers</b></p> <p>Manual compilation of the population of cost transfers increases the risk of errors and misstatements in reporting.</p> <p>Cost transfers are corrections made to an original transaction based on input from PIs or department personnel. These transfers do not have a designated journal code in the PeopleSoft system and manual identification is currently in place to report on cost transfer activity.</p> <p>Cost Transfers are only approved by the Director if the request is more than 90 days after date of discovery and review is not required for large dollar amounts and other key risk factors as deemed appropriate.</p> <p>During sample testing of cost transfers, department request forms contained processing errors that had to be corrected by the SPA team.</p> <p>Incomplete identification and approval of cost transfers can result in non-compliance with grant provisions.</p>	<ol style="list-style-type: none"> <li>1. Update existing procedures for pulling cost transfer details for reporting to ensure consistency in reporting, until the automated cost transfers solution is developed.</li> <li>2. Update SPA procedures to include Director review for large dollar requests and other key compliance risk factors.</li> <li>3. Provide refresher training to the departments on the importance of identifying cost transfers in a timely manner and appropriate procedures to provide accurate information.</li> </ol>	<p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. SPA has been actively discussing improvements with the ERP team to create a Cost Transfer Tool in conjunction with other stakeholders. With the recent development of the new electronic IDR, scripts, logic and programming have been created and will drastically improve this process for non-salary cost transfers. To help reduce audit exposure, we are reviewing the typical root cause of the cost transfers and a drop down will be inserted. There will be an option for “other” but a requirement to provide documentation if chosen. The logic built into the tool will also analyze the “date of discovery” and if greater than 90 days, will require detailed justification for this.</li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p>2. We have also discussed additional logic for routing escalation and dollar thresholds on these transfers so it is systematic rather than manual and subject to human error. Within PSFT, when the Cost Transfer Tool is initiated, there will be a journal source unique to these transfers so they may be easily identified and monitored.</p> <p>3. As the new tool is rolled out to campus, there will be training available. There are multiple business owners in this new tool, so exposure on the website will be available in several places as a reminder how the tool works and how the department routing will be included in the process. We will also present in our All Pod meeting as well as other campus initiatives to assure campus is educated.</p> <p><b><u>Action Plan Owners:</u></b></p> <p>AVP, Sponsored Programs Administration            Director, Post-Award Services, Sponsored Programs Administration            AVP, Administrative Systems</p> <p><b><u>Target Completion Dates:</u></b></p> <p>1. December 31, 2017 - Coordinate with Administrative Systems to develop timelines</p> <p>2. – 3. Will be included in timeline developed above</p>

## Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<b>Risk Definition-</b> The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	<b>Degree of Risk and Priority of Action</b>	
	<b>Priority</b>	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	<b>High</b>	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	<b>Medium</b>	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	<b>Low</b>	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.



## Appendix B – Key Award Data

In FY2017, total expenditures were \$429M, the following graph depicts these amounts by top ten departments, which comprises approximately 51% of the total. The remaining 49% is distributed among 53 departments.

Top Ten Departments based on FY2017 Expenditures

