



UNIVERSITY OF  
**TEXAS**  
ARLINGTON

**Internal Audit Report**  
**UTShare Business Process Review of Grants**  
**September 2019**

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# Audit Objective, Scope And Ranking Criteria

## Audit Objective

Our objective was to determine whether business processes associated with grant administration in UTShare were effective and efficient. This review focused on identifying potential internal control gaps, as well as assessing the financial and operational risks associated with grant administration in UTShare.

## Audit Scope

The scope included a design evaluation of the grant processes. The scope of the audit did not include detailed testing of grant data or accounting transactions.

## Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority	Description
High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

**We appreciate the courtesy and cooperation received from the Office of Grant and Contract Services, Principal Investigators, department administrators and Grant Accounting.**

# Background

## Background

UTShare is a Human Capital Management (HCM) and Financial Management System (FMS) implemented by The University of Texas System (UT System) in May, 2014. Oracle PeopleSoft applications are utilized as the backbone of UTShare.

UTShare is used by five academic institutions (UT Arlington, UT Tyler, UT San Antonio, UT El Paso and UT Permian Basin) and UT System Administration in a single instance creating interdependence on configurations, governance, decision making and functionality. Since implementation, multiple concerns regarding the functionality and usability of UTShare have been documented that required staffing, consultants and departmental resources to address.

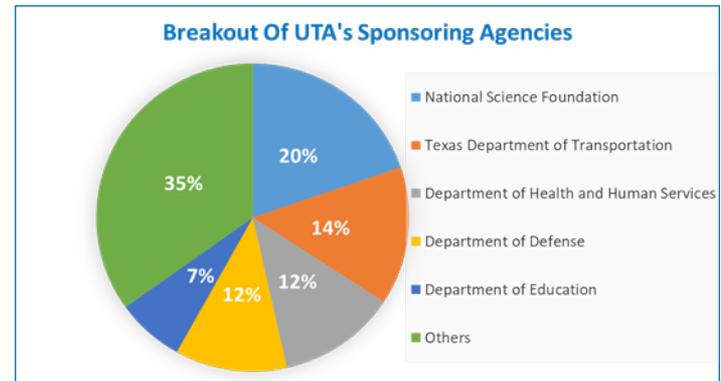
While spreadsheets are often used by department administrators to supplement revenue and expense tracking, UTShare is utilized at UTA for post-award and grant accounting activities.

Many departments are involved in the Grant process, including the Office of Grant and Contract Services (OGCS), Principal Investigators (PIs), department administrators and Grant Accounting (GA).

Currently, UTA has approximately 424 active grant awards from 146 different sponsoring agencies. The approximate amount of grant funds from these awards is \$138 million. Over 200 PIs manage grants at UTA.



The National Science Foundation, Texas Department of Transportation and Department of Health and Human Services are UTA's largest sponsoring agencies.



# Summary

## Summary

Since the launch of UTShare in May 2014, OGCS and GA management have made significant efforts to address UTShare deficiencies by managing grant administration and improving user functionality within and outside the shared environment. Although these efforts have driven a significant reduction in the day-to-day challenges associated with adopting a new system, solutions are often manually intensive workarounds. UTA Colleges and departments have also invested additional staff time and expertise to help manage grants as a result of UTShare's limitations. These efforts, as evidenced by sponsoring agency audits, have helped UTA remain compliant with the financial record keeping requirements associated with grant management. In summary, UTA's ability to "make it work" with limited system functionality is commendable. With that said, UTShare is currently not an optimal system for the facilitation of grant management, and potential compliance risks exist due to reliance on shadow systems (spreadsheets, etc.) or workarounds (manual calculations, queries, etc.).

The following are the key opportunities identified during the audit:

Audit Opportunity	Ranking Criteria	Page Number
1. UTShare System Has Contributed To Delays And Limited Customization	Priority	Page 6
2. A Cross Functional Road Map Is Needed To Guide The Path Forward	High	Page 8
3. System Limitations And Timing Results In Incorrect Balances In UTShare	High	Page 9
4. Deficits Exist In UTShare Often Requiring Manual Efforts To Correct	High	Page 11
5. Grant Closeouts Are Not Consistently Performed On A Timely Basis	High	Page 13
6. UTShare Configuration For Grant System Processes Is Not Efficient	Medium	Page 15
7. Grant Roles And Responsibilities Are Not Clearly Defined	Medium	Page 17

# 1. UTShare System Has Contributed To Delays And Limited Customization

Priority

The UTShare system has contributed to delays and limited customization when compared with institutions on their own instance.

Five academic institutions (UT Arlington, UT Tyler, UT San Antonio, UT El Paso and UT Permian Basin) are operating in a shared services environment dedicated to the development of the UTShare system. The governance structure related to submitting enhancement requests for UTShare is fairly extensive and time consuming. Additionally, UTShare's shared governance, interdependent decision making and the use of a third party IT service model adds to the challenges associated with timely application development and enhancement. As a result of these and other factors, user-friendly functionality that is common to most grant administration systems is not yet available in UTShare.

The limited functionality of UTShare contributed to the following challenges related to grant management:

- increased investment in shadow systems (spreadsheets, etc.) and workarounds (queries and manual calculations) outside of UTShare
- additional time needed by department administrators to research and determine grant balances
- expanded usage of third party consultants to assist with workload backlogs (i.e. researching and closing aging grants), as well as other activities, such as the identification of system and operational opportunities

UT Rio Grand Valley and UT Dallas have their own instance of PeopleSoft (meaning they are not currently a part of the shared-environment). Although both institutions had challenges with their PeopleSoft implementation, they are significantly ahead in the customization and adaptation of user-friendly grant administration functionality - given to their ability to enhance the PeopleSoft system as determined and prioritized by their management. Each UT medical institution also has its own PeopleSoft instance. UT Austin did not convert to PeopleSoft.

Adding to governance challenges, a new ticketing change request system was implemented by Shared Information Services (SIS) in 2018. During the migration, SIS transferred only active change requests from the prior system. As a result, SIS is unable to provide all change requests submitted by UTA with dates of submission, status and resolution. This somewhat limits the ability to effectively track system improvement requests. Furthermore, the UTShare governance documents maintained by SIS are not up-to-date and reference a prior ticketing system and outdated processes.

# 1. UTShare System Has Contributed To Delays And Limited Customization

Priority

The UTShare system contributed to delays and limited customization when compared with institutions on their own instance.  
(Continued)

## Recommendation

Consideration should be given to working with UTShare to address the significant opportunities and customization needed to effectively and efficiently manage the grant program. Requirements and a timeline should be outlined in this communication. If an adequate solution cannot be attained within a reasonable time period, consideration should be given to separating the grant function from UTShare to improve timeliness and allow for needed customization. A separate instance would allow an independent configuration to support the Institution's mission to provide accurate, timely and relevant data. As part of the decision making process related to adopting a separate instance, a cost-benefit analysis should be performed. Additionally, utilization of the 9.2 configuration updates would help ensure a more cost effective transition.

## Management Response

Given the history of the UTShare concept and associated problems documented, the limited progress of SIS to address the functional needs of UTA, the losses associated with grants and contracts and missed opportunities experienced since implementation, it is highly likely that UTA will request its own instance of Peoplesoft. Although an upgrade to Peoplesoft 9.2 is in process, the upgrade is limited to the current functionality and does not provide significant improvements. Therefore, it is a prime opportunity to explore other options to best serve UTA. Before a decision is made, an evaluation will be performed to determine alternatives, including the evaluation of a different system. A cost benefit analysis will be performed to help ensure that the most beneficial option is selected.

## Target Implementation Date

December 2019

## Responsible Party

University Leadership

## 2. A Cross Functional Road Map Is Needed To Guide The Path Forward

High

**A cross functional roadmap does not exist to address known opportunities related to the systems and processes supporting grant administration and management.**

Significant known opportunities exist related to improving the processes, configuration, functionality and reporting that support the administration functions of grant research. However, these known opportunities are not currently documented in a consolidated and/or prioritized manner, and part of which were lost in the change in UTShare's ticketing system. This includes opportunities submitted to SIS for implementation that have not been completed to date as a result of competing priorities. Additionally, centralized tracking of the status of these cross-functional opportunities is not in place. Finally, these opportunities have not been assigned to specific departments or individuals to address. As a result, tracking and managing recommendations from various sources (third party consultants, UTA employees, UTShare, etc.) is challenging.

### Recommendation:

- Consideration should be given to OGCS, GA and Business Technology Services working together to develop a cross functional roadmap to prioritize opportunities that includes control gaps, as well as enhancements identified by third party consultants and UTA employees. The cross functional roadmap should have milestones and target dates for completion to help ensure the recommendations are addressed on a timely basis. Furthermore, responsibilities should be assigned to the OGCS, GA, Business Technology Services and SIS to maintain clear accountability. Creating this roadmap will require coordination and inclusion of several departments. Multiple modules and functional areas (budgets, payroll, human resources, accounts receivable and purchasing) within the UTShare environment will need to be included for effective grant management.
- Consideration should also be given to adopting key grant performance indicators that help ensure progress is measured and issues are resolved on a timely basis. To facilitate in this process, management should consider regular communication and collaborative meetings among OGCS, GA and Business Technology Services.

### Management Response

A cross functional roadmap is currently being developed. Due to the current 9.2 upgrade in progress and associated testing and anticipated need for troubleshooting in the new version, we anticipate this being completed by December 2019. The roadmap will be used to define, prioritize and track system and operational opportunities associated with the various modules and offices. The roadmap will distinguish solutions that UTA can implement on it own versus those that require SIS involvement or UT Share governance to meet UTA's needs.

### Target Implementation Date

December 2019

### Responsible Party

OGCS, GA, Office of Information Technology

### 3. System Limitations And Timing Results In Incorrect Balances In UTShare

High

The available grant and cost center balances in UTShare cannot consistently be relied upon due to system limitations and/or timing.

As mentioned, the use of shadow systems (spreadsheets, etc.), workarounds (queries, manual calculations, etc.), and/or dedicated personnel mitigates much of the financial risks associated with using UTShare for grant management. With that said, the following limitations contribute to the difficulty in researching and/or using UTShare generated balances:

- **Monthly Financial Statements for Sponsored Projects** are not intuitive for department administrators and PIs. Additionally, the reports do not contain commonly available drill down features. As a result, manual steps are often required to determine current grant balances or research variances.
- **Salary Encumbrances** are not automatically removed within UTShare once salaries have been paid. Further research and steps must be performed by department administrators and PIs to manually calculate available grant balances. A query is available to assist in this review; however, the query has not been widely communicated to users.
- **Fringe Benefits** (employee medical, longevity, taxes) are not encumbered in UTShare. As a result, department administrators and PIs must manually deduct the fringe amounts to identify the available grant balances.
- **Payroll Expense Corrections** are not processed sequentially when multiple prior period retros are included in a payroll cycle within UTShare.

The difficulty in researching grant balances, along with the manual calculations/spreadsheets, contributes to the number of accounting corrections requested by department administrators and PIs. The salary encumbrance and fringe benefits, along with numerous accounting corrections and manual entries, can impact all cost centers and is not limited to grant activities.

### 3. System Limitations And Timing Results In Incorrect Balances In UTShare

High

#### Recommendation:

Address the system opportunities outlined on the prior page. Consideration should be given to developing Monthly Financial Statements for Sponsored Projects that include expense drill down capabilities to the transaction level. These should be user-friendly, reliable and convenient – possibly modeled after existing PeopleSoft models (i.e. those used by UTD or UTSW).

Consideration should be given to having approved operating budget transfers automatically feed into the system to avoid manual entry by Accounting.

Consideration should be given to providing advanced training (including tutorials on available research queries) to department administrators to help ensure an adequate understanding of the complexity related to researching grant balances.

Additionally, the following operational improvements are recommended:

- Coordinate multiple pay period corrections to mitigate stacking issues, and develop a control to help ensure corrections are submitted sequentially.
- Adopt a checklist for approvers and the timing of back-end processes for a transaction's lifecycle.
- Centralize the payroll retro cycle to promote timely communication and coordination of all elements.

Furthermore, consideration should be given to developing a methodology that better estimates actual expenses (salary encumbrances and fringe) for grants.

We also recommend that an Accounting Correction Request form be implemented within UT Share.

#### Management Response

In the current system, success in this area is highly dependent on UTShare governance and UTSIS capacity. UTA is actively advocating for new monthly financial statements based on the UTD reconciliation model. In the interim, we are working to address the system limitations through the development of shadow systems allowing financial drill downs and other user-friendly features that will improve grant administration. Appropriate training will be provided to the Department Administrators and others as needed. Further, each of these issues and recommended operational improvements will be prioritized as part of the governance process that will be developed to manage the process going forward (separate instance). An Accounting Correction Request form is being developed as part of grant accounting's Huron engagement.

**Target Implementation Date:** December 2019, For items requiring UTShare resources, the timeline is TBD.

**Responsible Party:** OGCS, GA, Office of Information Technology

## 4. Deficits Exist In UTShare Often Requiring Manual Efforts To Correct

High

### Legacy grant deficits exist in UTShare often requiring manual efforts to correct.

Approximately 84 of UTA's grants have a deficit balance greater than \$1,000. The total amount of these deficits is \$664,215. The wide majority of this deficit amount relates to older grants. (As an example, in the current year, there are only 14 deficits with a balance greater than \$1,000. Total current year deficits total approximately \$38,791.) It is important to note that completed grant projects have been closed-out with the respective Sponsoring Agencies, although they may still be open in the UTShare system. A deficit condition does not necessarily mean the PI has overspent on the grant. Instead, a deficit condition can - and often does - result from a grant balance not reflecting an accurate salary encumbrance amount (often due to timing, as well as other factors). When a grant is in a deficit, UTShare does not automatically invoice the sponsor/grantor. This slows the billing cycle and often requires inefficient manual processing by GA. Importantly, UTA is working on researching and, where possible, addressing/correcting the deficit balance situations so these projects can be properly closed in the system.

UTShare does not have the following automated controls that can contribute to the number of grants with a deficit:

- System controls do not prevent payroll from processing on an expired grant or a grant that is held in deficit.
- System controls do not automatically remove grant employment appointments within a specified period. As a result, manual payroll retro allocations are often used to make corrections.

If UTShare does not automatically invoice, a manual process is required to bill the sponsor/grantor. The manual invoice process requires GA to perform additional steps, which adds two to three days to the invoice billing cycle. Furthermore, UTShare does not identify invoices that failed to generate for a sponsor/grantor. As a result, GA must run multiple queries to identify grant invoices that did not appropriately process in UTShare.

UTShare does not have the following automated invoice processing controls:

- Alternate invoice approval workflow is not supported. Therefore, if a grantor requires a specific invoice approval protocol, it must be handled manually via email approvals.
- There are no system notifications to GA for invoice approval monitoring. As a result, if a department fails to approve an invoice on a timely basis, a grantor will not be billed until it is approved.
- When Post-Award creates a grant in UTShare, there is no automated system notification to GA prompting billing set-up for grant receivables, nor is the PI notified through UTShare. Instead, this notification must be performed via email.

It should be noted that emails are typically used as effective workarounds for these missing automated controls.

## 4. Deficits Exist In UTShare Often Requiring Manual Efforts To Correct

High

Grant deficits exist in UTShare often requiring manual efforts to correct.

### Recommendation:

Consideration should be given to the following:

- Continuing the “clean-up” efforts on the deficit grants through researching and correcting the cause of the negative balances.
- Evaluate the implementation of a system control that prevents the overspending on a grant and cost center. This control would take effect if an expense exceeds the available balance on a sponsored grant. In this case, the system would prevent the expense from being processed.
- Implement system workflow that would remove and/or reassign payroll appointments based on a specific date range.
- Create an automatic billing set-up notification to GA once a grant is established in UTShare by OGCS. This is currently handled via email.
- Establish a letterhead logo to be used when printing invoices unique to each member.

Additionally, consideration should be given to establishing a new department unfunded account to process payroll for grants held in deficit. Procedures should be developed and widely communicated in order to prevent delays in payroll processing.

Finally, training should be provided for department administrators to help ensure grant balances are managed efficiently for timely invoice processing. The training should include tutorials on available research queries.

### Management Response

We are focused on improving the reporting tool to help ensure our PIs and Department Administrators have a user friendly method to track balances. We are currently evaluating the other recommendations and will add to the road map, where appropriate. Under the current governance structure, these recommendations would require submission to UTShare for shared evaluation, prioritization and funding. The letterhead was developed by UTSIS, and is currently being moved into production. The implementation of the controls associated with Audit Opportunities # 3 (System Limitations and Timing Results in Incorrect Balances in UTShare) and #5 (Grant Closeouts Are Not Consistently Performed On A Timely Basis) will significantly reduce or prevent this deficits from occurring in UTShare for Cost Centers and Projects. In the interim, GCS and GA will continue to ensure through various manual controls to limit noncompliance with sponsor requirements.

**Target Implementation Date:** August 2019

**Responsible Party** Business Technology Services

## 5. Grant Closeouts Are Not Consistently Performed On A Timely Basis

High

Grants are not consistently closed on a timely basis in UTShare.

Approximately 89 percent of expired grants are considered active in UTShare. Delays in the closing of grants has been an opportunity since the launch of UTShare. With that said, this does not impact UTA's sponsoring agencies. Although a grant may be open in the system, they are closed-out with the sponsoring agency when complete.

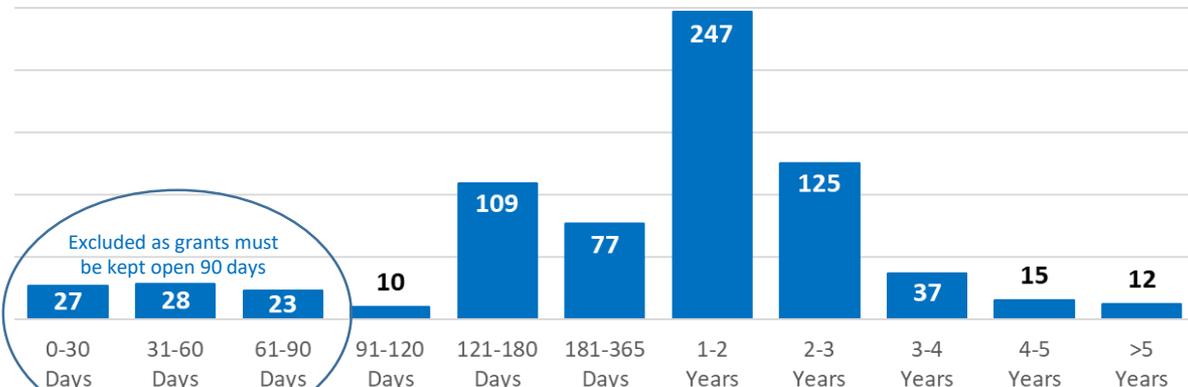
The risks in not closing a grant on a timely basis include:

- Errors going undetected for an extended period
- Accounts receivables and/or expenses being inappropriately posted to a grant that should be inactive within the system

Before a grant can be closed (frozen) in UTShare, GA must manually update the status of the grant and enter any required journal entries. Furthermore, the total grant amount spent must equal the total grant accounts receivable to the final financials before a grant can be closed. Currently, GA is working with a consultant assigned to review accounts receivable balances and identify grants that require closure.

The graph below illustrates the aging of active grants based on the grant award end date (post and prior to December 31, 2018).

Active Grant Projects Past End Date



Excluded as grants must be kept open 90 days

Active grant status in UTShare includes A (Approved), D (Receipts Only) and F (Frozen). This graph represents approved only as this status allows for accounts receivables to be received and expenses to be incurred against the grant.

Multiple grant projects can be established in UTShare for a single award and/or Grantor/Sponsor Contract. Approximately 710 expired awards (594 unique awards) are active in UTShare.

## 5. Grant Close-outs Are Not Consistently Performed On A Timely Basis

High

Grants are not consistently closed-out on a timely basis in UTShare.

### Recommendation:

Consideration should be given to implementing a more effective and efficient grant financial close-out process. Grants that are inactive should be reviewed for closure. It is recommended that the grant close-out process include a checklist that is completed by GA to help ensure all required activities are performed prior to closing a grant in the system. The length of time past due, as well as accounts receivable balance should be considerations when prioritizing grant closures in UTShare.

### Management Response

A third-party consultant is working with GA to formally close out grants in the system. This initiative will continue for the remainder of the year.

A formal grant close out process is being developed, to include a check list to be used in future close out activities.

**Target Implementation Date:** August 2019

### Responsible Party

GA

## 6. UTShare Configuration For Grant System Processes Is Not Efficient

Medium

Opportunities exist with the grant system processes in UTShare leading to inefficiencies:

- A. Commonly used data fields in UTShare are not pre-populated with selections or default values. As a result, Post-Award must select the following information in multiple screens, increasing the time needed and risk for error:
- Institution and location fields
  - Budget line items for Indirect Costs (IDC) and cost-sharing accounts
  - Activity code, fund code, and department
  - Speed type for each project to include the fund code, department, function, PC Business Unit, and activity
  - Account code column within budget proposal
  - UTARL and UTASP business unit selections
  - Eligible PI selection for faculty members
  - Project Team and Project Manager selections
  - Grant attachment availability
- B. New projects are setup for a grant each time the indirect cost (IDC) rate changes. As a result, department administrators must reconcile multiple Statement of Accounts in order to track expenses and available grant balances. Overspending on one grant project number can lead to multiple manual corrections in order to move expenses into the correct project numbers (even through these projects are for the same grant).
- C. Budget level workflow controls are restricted based on a shared institutional decision. As a result, UTA's ability to create more detailed and/or ad hoc budget levels by grant is restricted.
- D. During an observation of Post-Award entry of grant information into UTShare, redundant fields and/or screens not used by UTA were identified. As a result, the system is cumbersome to navigate. These redundant fields/screens include:
- Protocols
  - Component
  - Setup Level
  - Trainee
  - Gender and Minority Study

## 6. UTShare Configuration For Grant System Processes Is Not Efficient

Medium

Opportunities exist with the grant system processes in UTShare leading to inefficiencies:

### Recommendation:

OGCS should perform a configuration review to determine the fields for automatic selection and fields to be hidden within UTShare. A main entry point should be established for grant information entry in the system. Once information is entered, the data should populate in all other screens automatically.

We recommend OGCS coordinate with the appropriate Functional Committee to submit a change request for UTShare to facilitate the following for UTA:

- Proposal budget table to include the account code column. This column is included in the Award section of UTShare.
- Default business unit be established based on the screen in the UTShare system. Grant screens should default to the UTASP business unit, while all other screens should default to the UTARL business unit.
- All faculty members be automatically established as an eligible PI in UTShare.
- Detailed budget level controls.
- Post-Award Manager, Post-Award Specialist and OGCS Director be automatically added to the project team as grant administrators as a default setting for all projects and cost share cost centers.
- PIs be automatically established as the Project Manager on all projects.
- Department administrators and PIs receive access to view the award documents in UTShare.

We also recommend that OGCS coordinate with the appropriate Functional Committee to submit a change request for UTShare to facilitate the use of activity numbers as a means to assign different IDC rates to expenses within the same project - rather than creating multiple projects.

### Management Response

These items will be evaluated, prioritized and, if approved, tracked using the roadmap. Under the current governance structure, addressing these issues in the short term will require a submission to UTShare. The request to UTShare will take place if it is decided that UTA will not request a separate instance.

**Target Implementation Date:** TBD

**Responsible Party:** OGCS, UTSIS

## 7. Grant Roles And Responsibilities Are Not Clearly Defined

Medium

**Grant roles and responsibilities are not clearly defined for internal and external grant participants.**

The roles and responsibilities of the OGCS and GA are not clearly defined. As a result, emails are often circulated between Pre-Award, Post-Award and GA by department administrators, PIs and sponsors/grantors.

In addition, there are limited procedures established for grant processes. As a result, department administrators and PIs are developing UTShare training materials based on experienced issues within UTShare rather than the established processes.

### **Recommendation:**

Consideration should be given to developing a comprehensive roles and responsibilities matrix that identifies the roles and responsibilities for personnel and departments responsible for performing grant activities. The OGCS and GA should develop easy to follow “how to” guides on available queries for end users to use for grant reporting information. The UTA grant website should be updated to include the roles, responsibilities and informative guides for internal and external parties. Furthermore, we recommend that the training available online be updated to easily identify the courses with new and/or updated content.

We also recommend the Office of Grant and Contract Services (OGCS) department name (and related common email account names) be changed to establish a clear separation from Grant Accounting (GA). This will help ensure communication is routed correctly by internal and external parties.

### **Management Response**

A roles and responsibilities Matrix has been implemented and is being further refined. Appropriate guides and training are being developed to further assist front end users of the varying nuances of UTShare’s limited reporting capabilities.

**Target Implementation Date:** Fall 2019

**Responsible Party:** OGCS, GA, BTS