



TEXAS

The University of Texas at Austin

Federal Grant Compliance
College of Natural Sciences

May 2023

Office of Internal Audits
UT Austin's Agents of Change



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe St. Suite 2.302 · Austin, Texas 78701 · (512) 471-7117
audit.utexas.edu • internal.audits@austin.utexas.edu

Executive Summary

Federal Grant Compliance College of Natural Sciences Project Number: 22.037

Audit Objective

The objective of the audit was to determine whether expenditures on federal awards are allowable, allocable, and reasonable. Specific objectives were to determine whether:

- Non-payroll expenses are in compliance with 2 CFR 200 and sponsor requirements
- Non-payroll expenses are incurred during the period of performance
- Cost transfers are in compliance with federal and sponsor requirements

Conclusion

Overall, College of Natural Sciences (CNS) federal grant expenditures comply with federal and sponsor requirements; however, opportunities exist to improve compliance for cost transfers and certain expenditure categories.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Grant Expenditure Compliance	Medium	December 2023

Engagement Team

Mr. Jason Boone, Auditor III
Mr. Patrick McKinney, CIA, Director
Ms. Andrea Rios, Auditor I
Ms. Melanie Tolen, Auditor II

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Detailed Audit Results

Observation #1 Grant Expenditure Compliance

Expenditures

Of the 176 federal grant expenditures tested, six (3.4 percent) did not comply with federal or sponsor requirements. Tuition Reduction Benefits (TRB) were the primary area of noncompliance, as they were not appropriately allocated to grants in proportion to student effort². TRBs are offered to certain graduate students as compensation for their student employment. The University of Texas at Austin (UT Austin) Graduate School provides guidance that states a TRB amount “is based on the number of hours of the appointment...” Additionally, 2 CFR 200.466 requires tuition reductions be allocated in accordance with the work performed. Expenditure details are documented below:

Account Number	Transaction ID	Transaction Description	Amount	Observation
26-0838-92	80VJ1983097	TRB	\$4,608	TRB of \$4,608 was 100 percent allocated this award; however, all of the student’s effort and salary was on a different award.
26-0838-92	80VJ1983097	TRB	\$4,608	TRB of \$4,608 was 100 percent allocated to this award; however, all of the student’s effort and salary was on a different award.
26-1303-46	80VJ1994825	TRB	\$1,000	\$1,000 of \$4,608 TRB was allocated to this award; however, all of the student’s effort and salary was a different award.
26-1013-03	80VJ1996671	TRB	\$1,136	TRB of \$4,608 was 100 percent allocated to this award; however, approximately only 75 percent of student’s effort and salary was on the award. Only \$3,472 should have been allocated to this award.
26-1804-29	80VP7993222	Participant incentive	\$1,350	PI used budgeted participant support funds to purchase gift cards to incentivize participation. Per UT Austin policy, participant incentives are not considered participant support, and 2 CFR 200.308 requires sponsor approval to move funds from the participant support budget. Sponsor approval was not obtained.
26-1303-46	80VP1947300	Equipment	\$30,000	Capital equipment purchased on awards without the approved budget or sponsor approval. Total equipment cost of \$119,709.36 was split with two other awards. 2 CFR 200.309 requires prior approval for capital expenditures if costs exceeds \$5,000. PI was not aware of prior approval requirement.

Cost Transfers

Four of 35 (11.4 percent) cost transfers tested did not comply with applicable requirements. All four were completed by one PI who transferred approximately \$4,000 of expenditures onto his grant near the end of the award. One cost transfer included documentation from the PI to “zero-out” and “drain” remaining grant funds before award end date.

² Four of 13 (31 percent) TRBs tested were misallocated among grant awards.



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Each of these transfers occurred within the last nine days of the grant and more than 90 days after the original expense was incurred. UT Austin Office of Sponsored Projects (OSP) guidance and 2 CFR 200.405 prohibit cost transfers for budgetary convenience. Additionally, the National Institutes of Health (award sponsor) requires cost transfers be completed within 90 days of an error being discovered and supported by detailed documentation. The transfers outlined below did not include this documentation, and the PI’s request to “zero-out” his grant indicates the transfers were made for convenience purposes.

Table with 5 columns: Account Number, Transaction ID, Transfer Date, Amount, and Observation. It lists four transactions from account 26-1615-59, including a large transfer of \$1,566.86 and three smaller transfers of \$366.30, \$236.64, and \$208.80.

In addition to these transfers, sixteen other transfers resulted in an additional \$1,636 of expenditures transferred to this PI’s grant during the same time period. Internal Audits did not test these additional transfers; however, these could be indicative of a pattern of non-compliance.

Recommendation: College of Natural Sciences management should review processes and resources in place to increase PIs awareness of federal award expenditure rules. Additionally, management should work with OSP to reallocate the identified costs onto allowable funding sources and determine whether additional cost transfers should be reallocated as well. Further, the College should work with the PI who allocated costs at the end of his grant to inform him of the prohibition of these types of transactions and the applicable rules and regulations surrounding the management of federal awards.

Management’s Corrective Action Plan: We understand the nature of the compliance concerns and how they occurred. We have developed a corrective action plan based on the auditors’ recommendations and will implement the plan by December 4, 2023.

Increase awareness of federal award expenditure rules

- 1) The CNS Dean’s office will develop a guide of federal award expenditure rules for faculty and department administrators. The guide will collect resources available at UT (Office of Sponsored Projects, or OSP, and the Graduate School) and the two primary federal research grant agencies (NIH and NSF) for easy reference. In addition, the guide will summarize the rules governing the areas that were found problematic in more detail and provide specific examples of appropriate application of the rules in relevant scenarios. The document will be disseminated as follows:
- To faculty, annually during new faculty orientation, and to department chairs during the first CNS Chairs’ Council meeting of the academic year. Department chairs will be asked to discuss compliance rules at department faculty meetings.



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- To departmental administrators, annually at the first meeting of CNS departmental chief business officers of the academic year. Business officers will be asked to discuss compliance rules at department staff meetings.
- 2) The CNS Dean's office will hold a training session on federal grant compliance rules and regulations in Fall of 2023 for departmental business officers and administrative staff in collaboration with OSP staff.
 - 3) CNS management will meet individually with administrative staff of the departments in which the instances of noncompliance were discovered to discuss procedures to ensure compliance with the relevant regulations.

Correct non-compliant expenditures

The CNS Office of Business Services will work with departmental business officers to transfer the non-compliant costs discovered during the audit to appropriate accounts.

Educate specific PI

CNS management will meet with the PI of the grant identified during the audit to have noncompliant transfers to ensure full awareness of rules and regulations for the management of federal awards.

Responsible Person: Associate Dean for Research and Facilities

Planned Implementation Date: December 4, 2023



Background

The College of Natural Sciences is a leading research college at UT Austin. The College has approximately \$100M in research expenditures each year in areas ranging from artificial intelligence and mathematics to family relationships and health promotion.

Federal research grants are subject to 2 CFR 200, which provides guidance for receiving and using federal awards, uniform administrative requirements, cost principles, and audit requirements.

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and meet the independence requirements for internal auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this engagement included expenditures incurred from September 1, 2020, through April 30, 2022.

Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.

Table: Objectives and Methodology

Audit Objective	Methodology
Objective 1. Determine whether expenditures on federal awards are allowable, allocable, and reasonable.	<ul style="list-style-type: none"> • Tested a judgmental sample of expenditures and cost transfers for compliance with 2 CFR 200. • Reviewed award and expenditure/transfer supporting documentation. • Communicated with CNS faculty and staff and OSP staff to obtain additional information on expenditures.



Criteria

Chapter 2, Code of Federal Regulations, Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Submission

We appreciate the courtesies and cooperation extended throughout the audit.

Respectfully Submitted,

Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

Distribution

Dr. Jay C. Hartzell, President

Ms. Julie Bowers, Assistant Vice President of Finance & Chief Business Officer, Office of VP for Research, Scholarship and Creative Endeavors



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Mr. Mark Featherston, Interim Director, Office of Sponsored Projects; Chief of Staff, Office of VP for Research, Scholarship and Creative Endeavors
Ms. Monica Horvat, Director of Presidential Priorities
Dr. Daniel Jaffe, Vice President for Research
Ms. Melissa Loe, Chief of Staff, Financial and Administrative Services
Dr. Andreas Matouschek, Associate Dean for Research and Facilities, CNS
Dr. Daniel T. Slesnick, Interim Vice President and Chief Financial Officer
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