



Drawdowns of Federal Research Funds

Office of Sponsored Projects

July 2025



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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Executive Summary

Drawdowns of Federal Research Funds

Office of Sponsored Projects
Project Number: AUS25AS0008

Audit Objective

The objective of this audit was to determine whether processes ensure timely and accurate drawdowns of federal research funds.

Conclusion

Overall, the federal grant drawdown processes result in timely and accurate drawdowns of federal funds; however, there is an opportunity for the Office of Sponsored Programs (OSP) to implement review procedures to detect coding errors.

Audit Observations¹

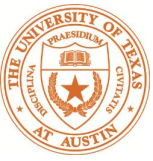
Recommendation	Risk Level	Estimated Implementation Date
Reporting/Coding Review Procedures	Medium	November 2025

Engagement Team²

Ms. Autumn Gray, CIA, Assistant Director
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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.

² This project was co-sourced with EAG Gulf Coast, LLC.



Detailed Audit Results

Observation #1 Reporting/Coding Review Procedures

The process to draw down federal research funds begins when staff in colleges, schools, and units across the University enter and code grant-related expenses in *DEFINE. Once expenses are entered, the OSP Grant Financial Management team reviews the draw reports and submits requests through federal sponsor portals. However, OSP has not implemented review procedures to detect *DEFINE coding or entry errors, leading to inaccuracies in Schedule of Expenditure of Federal Awards (SEFA) reporting³.

SEFA reporting errors can lead to audit findings, compliance issues, and financial misstatements, which may result in penalties, loss of funding, and increased scrutiny from auditors and federal agencies. These errors can also cause operational disruptions as resources are diverted to address inaccuracies. Ensuring accurate SEFA reporting is crucial to maintaining compliance, financial integrity, and operational efficiency.

Management's Corrective Action Plan:

To improve account oversight and the accuracy of SEFA reporting, OSP will enhance monthly account reports to help identify and correct coding errors that impact SEFA data, resulting in more accurate federal reporting.

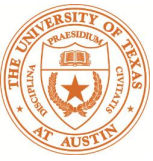
Since *DEFINE lacks a built-in system of controls to prevent input or coding errors at the point of entry, these enhanced reports will serve as a critical post-entry review mechanism. The enhanced reports will be distributed monthly to Awards Specialists, Team Leads, and Assistant Directors of Awards, with a copy to the Director of Post-Award, enabling timely detection and resolution of coding issues before they affect SEFA reporting.

Initial implementation of the enhanced reporting will begin in July 2025, with a full rollout targeted for November 2025. In conjunction with this rollout, OSP will provide refresher training for relevant staff to ensure effective use of the new reports and reinforce correct *DEFINE coding practices.

Responsible Person: Director of Post-Award, Office of Sponsored Projects

Planned Implementation Date: November 28, 2025

³ The 2024 SEFA included coding errors totaling \$232,588. In addition, FY25 transactions totaling \$40,217 had incorrect codes, and transactions totaling \$165,858 were entered with the wrong sponsor's name.



Conclusion

Overall, the federal grant drawdown processes result in timely and accurate drawdowns of federal funds; however, there is an opportunity for OSP to implement review procedures to detect coding errors. The following table provides a summary of the audit results.

Table: Controls Assessment

Audit Objective	Controls Assessment
Determine whether processes ensure timely and accurate drawdowns of federal funds.	Effective with Medium Risk Opportunity

Additional Considerations for Management

Draw Report Enhancements

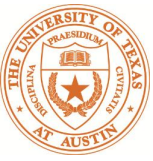
The University relies on a manual and time-intensive process to prepare and submit draw requests. The Grants Financial Management team reviews and annotates weekly *DEFINE draw reports in PDF format to identify necessary corrections before submitting requests in sponsor portals. Staff manually calculate draw amounts by project number because the reports lack award-level subtotals. Management should consider enhancing *DEFINE draw reports to streamline and improve the process.

Documentation of Detailed Review Process Steps

The Grants Financial Management team's internal procedures outline the draw procedures at a high level but lack detailed instructions on reviewing reports, making adjustments, and submitting draw requests to specific sponsor portals. Instead, the Grants Financial Management team relies on institutional knowledge to complete these tasks. Management should consider documenting the step-by-step review and submission process to ensure operational continuity during key staff absences and to promote consistency in completing critical tasks.

Complete Internal Documentation

The Grants Financial Management team conducts manual reviews and approvals of draw requests and maintains a documentation file of certain draw confirmations and approvals. In addition, the team processes electronic approvals in *DEFINE. Management should consider evaluating manual review and documentation procedures, along with *DEFINE system capabilities, to determine whether the manual processes support an efficient and effective review process. If *DEFINE can adequately capture review steps and approvals, there may be opportunities to revise procedures to rely on system-maintained approvals as evidence of review. If *DEFINE does not adequately capture reviews and approvals, management should consider implementing a final review of draw report packets to confirm all documents are included and all review steps are completed and documented.



Background

For Fiscal Year 2024, The University of Texas at Austin received \$690,835,450⁴ in research funding from federal agencies. The OSP Grant Financial Management team oversees financial management for sponsored projects, including processing drawdowns for federally-funded research projects. When expenses are incurred, the University invoices the federal sponsoring agencies for reimbursement through the drawdown process.

Scope, Objectives, and Methodology

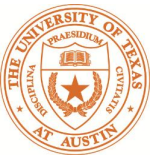
This audit was conducted in conformance with The Institute of Internal Auditors' Global Internal Audit Standards. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and met the independence requirements for internal auditors. Those standards require 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 review included federal draws completed between March 2024 – December 2024. Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.

Table: Objectives and Methodology

Audit Objective	Methodology
Determine whether processes ensure timely and accurate drawdowns of federal funds.	• Interviewed OSP personnel to understand the federal grant drawdown process. • Selected and tested a risk-based sample of federal draws/refunds. • Reviewed supporting documentation for all sampled draws/refunds. • Conducted walkthroughs and obtained explanations and additional relevant support for tested draws/refunds.

⁴ TEXAS Research by the numbers; FY24 Expenditures by Source, [Year of Impact | Texas Research](#)



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 courtesy and cooperation extended throughout the audit.

Respectfully Submitted,

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

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