PROJECT SUMMARY

Overview

Overall, Texas A&M University has controls and processes in place over time and effort reporting to provide reasonable assurance that it is substantially in compliance with applicable laws, policies, regulations, and University rules except in the area of effort charged with no benefit to sponsored research. Opportunities for improvement were also noted with respect to effort certification, training, payroll corrections, and payroll monitoring. Federal Office of Management and Budget Circular A-21 requires time and effort confirmation on federally-sponsored projects. To meet this requirement, the University has recently implemented an A&M System-developed online, automated reporting system, the Time and Effort Reporting Information System (Time and Effort System).

Summary of Significant Results

Effort Charged with No Benefit to Sponsored Research

Ten percent (3 of 30) of employees tested who certified 100% effort within one month to sponsored research, performed activities during that month with no benefit to the research. In a separate test, twenty percent (3 of 15) of employees tested, who charged 100% of their effort to sponsored research during a six-month period, spent time on activities during that period with no benefit to the research. These activities included writing proposals, serving on committees, and preparing for classes. The University is not in full compliance with Office of Management and Budget Circular A-21 which establishes that only employee activities directly benefitting federally-sponsored research projects are allowed to be charged to such projects.

Summary of Management’s Response

Research Services will continue working to enhance and develop the effort reporting processes and procedures at Texas A&M University to ensure compliance with OMB Circular A-21. In efforts to effectively analyze and address areas of noncompliance, the
Division of Research and Graduate Studies will lead an initiative to work with university colleges and departments on effective budgeting methodologies that will facilitate an accurate and timely charging of time and effort on federally-sponsored projects. The Division will work to require periodic training for employees using the Time and Effort Information Reporting System.

Scope

The review of time and effort reporting focused on internal controls, including the effort certification process, training, sponsored research payroll corrections, the Time and Effort System, and relevant rules and procedures. The review period was from July 1, 2009 through September 15, 2010. Fieldwork was conducted from July through September 2010.
OBservations, Recommendations, and Responses

1. Effort Charged with No Benefit to Sponsored Research

Observation

Ten percent (3 of 30) of employees tested who certified 100% effort within one month to sponsored research performed activities during that month with no benefit to the research. In a separate test, twenty percent (3 of 15) of employees tested, who charged 100% of their effort to sponsored research during a six-month period, spent time on activities during that period with no benefit to the research. These activities included writing proposals, serving on committees, and preparing for classes.

Currently, employees funded solely by sponsored research do not have departmental funding for effort expended on activities such as writing proposals for future unrelated sponsored projects. These individuals must, therefore, certify all of their effort to their sponsored research projects. Some individuals believed they could participate in these activities outside of their regular job duties and it would not need to be tracked in their effort reporting or that it did not matter if the effort expended on these activities was charged to their sponsored research. However, the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Higher Education, which requires certification of labor effort/activity contributed by employees on federal awards does not allow these types of activities to be charged to sponsored projects. OMB Circular A-21 establishes that only employee activities directly benefiting federally-sponsored research projects are allowed to be charged to such projects.

The University has not monitored employees who charge significant levels of effort to sponsored research. Therefore, the University has an increased risk that unallowable activities will be reported in the Time and Effort System which can result in unallowable costs and penalties.

Recommendation

Develop procedures to ensure that non-sponsored research activities are not charged to sponsored projects. Conduct additional monitoring of those employees who charge significant effort to sponsored research projects.
Management’s Response

1. Effort Charged with No Benefit to Sponsored Research (cont.)

   Research Services will continue to develop and refine procedures to ensure that non-sponsored research activities are not charged to sponsored projects and to monitor employees who charge significant effort. Research Services is currently in the process of providing input to the System to enhance reports generated by the Time and Effort Reporting Information System. These enhancements will allow the central administrators, departmental administrators, department heads and deans to monitor effort reports ensuring that all applicable faculty and staff are in compliance with the University’s Time and Effort Reporting rule. Additionally, this process will notify the next responsible level of authority for noncompliance. In the coming year, the Division of Research and Graduate Studies will work with other University offices to review and analyze college and departmental procedures in an effort to develop a budgeting standard administrative procedure that will provide guidance when charging time and effort to federal projects. The target date for the completion of the Research Services monitoring report enhancements, associated procedures and implementation is September 30, 2011. The target date for the completion of the budgeting review and procedure is December 31, 2011.

2. Effort Certifications

   Observation

   Ninety-one percent (1576 of 1740) of effort certifications for the January-June 2010 reporting period were completed as of late September 2010. For the July-December 2009 reporting period, eighty-eight percent (1591 of 1814) of effort certifications were completed as of late September 2010. This was the first reporting period in which the University required the certification of effort through the use of the new Time and Effort System.

   The implementation of the Time and Effort System was delayed from its original fall 2008 implementation goal due to late involvement of faculty in the design of the System. As a result, the University is not in full compliance with the Office of Management and Budget (OMB) Circular A-21 which requires certification of employee activity.

   Recommendation

   Complete the remaining effort certifications for the January-June 2010 and July-December 2009 reporting periods. Develop and
implement follow-up procedures to ensure all uncertified effort documents are completed for future reporting periods.

Management’s Response

Research Services continues to work towards 100% certification and will implement a certification timeline for the spring 2011 reporting period with a target date of August 31, 2011. To date 97% of the fall 2009 reports have been certified and 96% of the spring 2010 reports are certified. Research Services continues to make good progress towards one hundred percent certification of effort for the January-June 2010 and July-December 2009 reporting periods.

3. Training

Observation

The University does not require principal investigators and other University employees involved in the administration or performance of sponsored research to complete user training prior to certifying their effort in the Time and Effort System.

If not trained in the proper use of the Time and Effort System, there are increased risks that employees will not accurately complete their certifications. For example, it was noted that half (15 of 30) of the certifiers in our sample did not have an understanding of the level of precision required with effort distribution. A variance of up to ±5% is allowable between the actual percentage of time worked and the time reported.

The National Science Foundation identified in its audits of effort reporting systems that required training is an element of an effective oversight program. In addition, the Federal Sentencing Guidelines for Organizations encourage the development of effective programs to prevent and detect noncompliance including the communication of standards and procedures by requiring participation in training programs. Initially, due to ‘bugs’ in the new system, University Research Services felt that the ‘bugs’ could be frustrating to employees and did not require training on the Time and Effort System until the ‘bugs’ were resolved.

Recommendation

Require training for all employees prior to use of the Time and Effort System. In addition, as an element of an effective oversight program, require periodic training for all employees who continue to use the Time and Effort System.
Management’s Response

3. Training (cont.)

Research Services will work to implement required, recurring training via the SSO TrainTraq portal, prior to an employee confirming or certifying effort. Training will be mandated for all employees with an effort reporting role to include deans, department heads, central and departmental administrators, certifiers (self and employee supervisor) and confirmers. Employees will not be permitted to enter the Time and Effort System without completing their required training course. To ensure an effective oversight program, training for employees who continue to use the Time and Effort System will be required every three years. We estimate full implementation by August 31, 2011.

4. Payroll Corrections

Observation

Fifty percent (5 of 10) of one sample of payroll corrections made ninety days or more after the original transactions lacked clear, specific, and detailed explanations for the request. Also, University Research Services did not have available guidelines for departments to follow for such payroll corrections.

Explanations were not being documented due to the lack of a standard form and project administrators not always documenting the information gathered. Without documentation, there may not be sufficient evidence to determine if a payroll correction was reasonable. In addition, the final approver in University Research Services may not have complete knowledge of why the correction was being made. This is particularly important for transfers made over ninety days from the original transaction. At the end of our testing, University Research Services provided a draft version of cost transfer guidelines and a standardized request form which, when implemented, should help improve the process.

University SAP 25.99.99.M0.07, Procedures For Transfer Of Payroll Costs Between University Accounts, states that an explanation for the correction is to be provided and that University Research Services will provide guidelines for these transfers. In addition, OMB Circular A-21 requires the submittal of all financial reports within 90 days after the funding period. Inappropriate cost transfers can result in disallowed costs/penalties.
Recommendation

4. Payroll Corrections (cont.)

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<td>Require that clear, specific, and detailed explanations be provided for payroll corrections. Finalize and implement a standard form for requesting payroll transfers to document the justification for the correction. For requests made over ninety days after the original transaction, additional information should be requested and documented.</td>
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Management’s Response

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<td>Research Services will work with the other A&amp;M System grants offices to implement a standard payroll cost transfer process and standard form for requesting payroll transfers. The form will document justifications for corrections, and for requests made beyond 90 days from the date of the original transition, supplemental information will be required. We anticipate that the new form and process will be implemented by May 31, 2011.</td>
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5. Monitoring of Supporting Payroll Detail

Observation

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<td>Payroll detail at the employee level is not being monitored. Certifiers and departmental administrators are not able to monitor or review the accuracy of employee payroll transactions on a monthly basis within the Time and Effort System. The time and effort certification time period is a six-month period of time (January through June and July through December). Payroll detail by employee is downloaded each month into the Time and Effort System, but is not available for users to view until the certification period has ended. If this detail was available each month, it would assist departmental administrators and certifiers to monitor and identify needed payroll corrections earlier. This lack of monthly information increases the risk that payroll errors are not corrected timely. Also, without a timely review of payroll detail, certifications may not be complete or accurate. The National Science Foundation identified in its audits of effort reporting systems at higher education institutions that oversight and monitoring is needed to ensure that the effort reporting process conforms to federal requirements and established controls were applied consistently. In addition, the Federal Sentencing Guidelines for Organizations encourage the development of effective programs to prevent and detect noncompliance including the establishment of monitoring systems.</td>
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Recommendation

5. Monitoring of Supporting Payroll Detail (cont.)

Enhance the functionality of the Time and Effort System by providing system users the ability to view and monitor payroll detail monthly.

Management's Response

It is anticipated that by August 31, 2011, the A&M System will complete enhancements to the Time and Effort System that will allow for a monthly view of employee effort distribution based on recommendations provided by Research Services.
BASIS OF REVIEW

Objective

Review and assess the University’s controls and processes over time and effort reporting to determine if resources are used efficiently and effectively and in compliance with applicable laws, policies, regulations and University rules. OMB Circular A-21 requires time and effort confirmations on federally sponsored projects. Some respective state or privately sponsored projects also require compliance with OMB Circular A-21.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. 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 based on our audit objectives.

Background

In 2009, Texas A&M University ranked 20th nationally with $631 million in total research expenditures. Starting in 2008 to meet federal effort reporting requirements, the A&M System began to develop an online time and effort information system with the goal that all employees paid with federal and state research funds certify 100% of effort on all sponsored and non-sponsored research activity. The Time and Effort System has been in testing since fall 2009 and was recently implemented for use to certify effort for the July-December 2009 and January-June 2010 reporting periods.
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