



Item: AF: I-5

AUDIT AND FINANCE COMMITTEE
Tuesday, May 17, 2016

SUBJECT: REVIEW OF AUDITS: FAU 15/16-4, AUDIT OF RESEARCH – EFFORT REPORTING FOR THE QUARTER ENDED DECEMBER 31, 2015.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary objectives of this audit were to determine whether:

- Policies and procedures had been developed consistent with cost principles outlined in the Office of Management and Budget's new Uniform Guidance - Section 200.430, *Compensation Personal Services* - for all new or continuing Federal awards funded on or after December 26, 2014; and,
- The university was maintaining documentation (records) to accurately reflect research work performed and supported by a system of internal controls which provides reasonable assurance that compensation charged to research projects is *accurate, allowable*, and properly *allocated* in accordance with requirements of the new Uniform Guidance.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement our single recommendation by October 1, 2016.

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: OIG Schedule of Follow-up on Audit Recommendations

Presented by: Mr. Morley Barnett, Inspector General

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Office of Inspector General

Research - Effort Reporting Audit
Quarter Ended 12/31/15

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2015-16, we have conducted an audit of the time and effort reporting function at Florida Atlantic University for the quarter ended December 31, 2015. The primary objectives of this audit were to determine whether:

- Policies and procedures have been developed consistent with cost principles outlined in the Office of Management and Budget's new Uniform Guidance - Section 200.430, *Compensation Personal Services* - for all new or continuing Federal awards funded on or after December 26, 2014; and,
- The university is maintaining documentation (records) to accurately reflect research work performed and supported by a system of internal controls which provides reasonable assurance that compensation charged to research projects is *accurate, allowable, and properly allocated* in accordance with requirements of the new Uniform Guidance.

Basic procedures applied for the audit included an in-depth review of OMB Uniform Guidance cost principles, discussions with Research Division management, and review of current university policies and procedures governing time and effort reporting.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

The Office of Management and Budget (OMB) has made a major change to the underlying guidance by which university recipients of Federal awards have operated for decades. OMB combined eight separate circulars, applicable to different types of grantee organizations, into a single document, commonly referred to as the Uniform Guidance (UG). Detailed in the Code of Federal Regulations, Title 2, Part 200, the UG addresses administrative requirements, cost principles, and audit requirements for Federal awards and applies to new grants or funding increments received on or after December 26, 2014.

Overall, the Uniform Guidance emphasizes strong internal controls that must be met, whether or not an institution chooses to maintain its current effort reporting system. The UG emphasizes the need for written institutional policies and procedures related to compensation and has shifted the focus toward an internal control framework as opposed to requiring specific documentation and standardized forms for charges to federal awards for salaries and wages. Effort reporting and forms of certification, while still allowable, are not required. The new principles-based, internal-controls-focused criteria allow organizations more flexibility to design internal control systems that suit their needs as long as they provides reasonable assurance that compensation charged to grants is *accurate, allowable, and properly allocated* as outlined in the UG. If a Federal sponsoring agency determines that an organization's records do not meet the new Uniform Guidance standards, the agency may continue to require personnel activity reports, including prescribed certifications, or equivalent documentation that supports the records.

Basic concepts in proper effort reporting for Federally-funded awards require: institutional awareness that the percentage of salary charged to a sponsored project cannot exceed the individual's total effort that is expended on the project during an effort reporting period; all faculty and staff working on grants understand the various cost principles related to allocation of salaries and wages for their research projects; and, timely adjustments be made to reduce compensation charged to a particular research project when effort reported in a given effort reporting period is less than the percentage of salary charged to the project during the same period.

COMMENTS AND RECOMMENDATIONS

Need for updated policies & procedures and timely completion of effort certifications

Through discussions with management and review of the Division of Research's current *Time and Effort Certification Policy* (eff. 8/1/15), we noted that the policy had not been revised to address the new OMB Uniform Guidance requirements, including comprehensive documentation of the system of internal controls critical for compliance with the UG. In addition, we also learned that since the university's conversion from Banner to Workday on July 1, 2015, certification of effort reporting has been suspended. Research management has explained that amongst other things, additional procedural documentation for end users (*Job Aids*) needs to be published for the effort reporting function in Workday, and certain grant worktag corrections and payroll accounting adjustments must be made in order to properly prepare effort certifications.

Recommendation No. 1

In order to comply with cost principles of the Uniform Guidance, we recommend the Research Division revise its time and effort reporting policy, provide relevant training for all faculty and staff involved in managing, allocating compensation to, or completing effort reports for research projects, and resume preparation of effort certifications as soon as practicable.

Management's Response

Action Plan:

Research Accounting is currently in the process of developing Workday *Job Aids* in preparation for training of employees who will be responsible for an effective effort reporting function. We are also working with the Controller's Office to ensure that payroll adjustments necessary for accurate classification of compensation data is reflected in Workday before resuming effort certifications. The time and effort policy will be appropriately revised to reflect requirements of the Uniform Guidance, including documenting the system of internal controls which provides reasonable assurance that compensation charged to grants is accurate, allowable and properly allocated.

Implementation Date: October 1, 2016

Responsible Auditee: Heather Saunders, Interim Director - Research Accounting

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit.

Within the past three fiscal years, our office has not conducted any audits related to the time and effort reporting function. Accordingly, a follow-up on prior audit recommendations is not applicable.

CONCLUSION

Based on the need for updated policies and procedures governing the time and effort reporting function, we were not able to effectively evaluate the university's compliance with Federal regulations related to accountability for compensation charged to Federal awards. We will conduct necessary future follow-up on our recommendation addressing our observations.

We wish to thank Research Accounting personnel for their cooperation and assistance which contributed to the completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed by: Ben Robbins, CPA

Use of Report

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