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## UCSB AUDIT AND ADVISORY SERVICES

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August 5, 2010

PROFESSOR AND CHAIR F. GREGORY ASHBY:

Re: Department of Psychology  
Audit Report No. 08-10-00007

As part of the 2009-10 annual audit plan, Audit and Advisory Services conducted an audit of the Department of Psychology. Enclosed is the audit report detailing the results of our review.

The purpose of this review was to evaluate if adequate internal controls have been implemented over monitoring sponsored projects. The scope of the review included discussions with the Department of Psychology staff, completion of internal control questionnaires and limited testing of sponsored projects expenses during fiscal year 2008-09.

Based on the results of the work performed within the scope of the audit, our review did not identify any significant deficiencies or material weaknesses in internal controls. We found the department had established effective systems of internal controls over the management of sponsored projects. In addition, the department's sponsored projects are managed by staff that are knowledgeable regarding University policies and procedures and sponsor regulations. However, we noted opportunities to further improve and strengthen internal controls in the areas of direct charging practices, recertifying personnel activity reports in conjunction with labor cost transfers, controlled substances, and submittal of final technical reports.

We have included a copy of our detailed observations and management corrective actions to this cover memo. The management corrective actions you provided indicate that each audit observation was given thoughtful consideration and that positive actions have been taken or planned to implement the management corrective actions.

The cooperation and assistance provided by the Department of Psychology staff during the review was sincerely appreciated. If you have any questions, please feel free to contact me.



Craig Whitebirch  
Director  
Audit and Advisory Services

PROFESSOR AND CHAIR F. GREGORY ASHBY  
August 5, 2010

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Enclosure

cc: Chancellor Henry Yang  
Executive Vice Chancellor Gene Lucas  
Associate Vice Chancellor Ron Cortez  
Dean Pierre Wiltzius  
Business Officer Lynne Pritchard  
UCSB Audit Committee  
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca

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DEPARTMENT OF PSYCHOLOGY  
AUDIT REPORT NO. 08-10-00007

**Performed by:**  
Daniel Samec, Staff Auditor

**Approved by:**  
Craig Whitebirch, Director

DEPARTMENT OF PSYCHOLOGY  
AUDIT REPORT NO. 08-10-00007

**Purpose and Scope**

The purpose of this review was to evaluate if adequate internal controls have been implemented over monitoring sponsored projects. The scope of the review included discussions with the Department of Psychology staff, completion of internal control questionnaires and limited testing of sponsored projects expenses during fiscal year 2008-09 in the following areas:

- Management of Sponsored Projects
- Information Systems – GUS (The Grand Unified System)
- Application Preparation and Submission
- Direct Charging Practices
- Effort Reporting
- Research Involving Animal Subjects
- Research Involving Human Subjects
- Cost Transfers
- Controlled Substances
- Subagreements
- Overdrafts
- Charges at the end of an Award
- Sponsored Projects Closeouts
- Final Technical Reports

**Background**

The Department of Psychology's mission is continued excellence in research, teaching, and public service. With approximately 29 faculty, 65 graduate students, and over 2,000 undergraduate students, the department carries out cutting edge research in the areas of experimental psychology, such as cognition and the perpetual sciences, developmental and evolutionary psychology, neuroscience and behavior, and social psychology. The Department of Psychology offers a B.S. program in Biopsychology and a B.A. program in Psychology for undergraduate students as well as M.A. and Ph.D. programs for graduate students. The U.S. News ranked UCSB 40<sup>th</sup> for Best Graduate Schools in Psychology in 2009.

In fiscal 2008-09, the department was awarded approximately \$4 million in sponsored projects. The department's sponsored projects were awarded primarily by the National Science Foundation (NSF) and the National Institutes of Health (NIH). Since June 2009, the Department of Psychology has received four awards totaling \$463,689 as part of the American Reinvestment and Recovery Act (ARRA). The department currently allocates approximately 1.5 FTE to the management of its sponsored projects. The FTE is divided equally among pre-award and post-award duties. However, it should be noted the individuals assigned to manage sponsored projects have other financial responsibilities within the department in addition to sponsored projects.

The Department of Psychology Chair reports to the Dean for Mathematical, Life and Physical Sciences, within the College of Letters and Science. Administrative, financial and computer support services are under the direction of the department's Business Officer.

### **Summary Opinion**

Based on the results of the work performed within the scope of the review, our review did not identify any significant deficiencies or material weaknesses in internal controls. We found the department had established effective systems of internal controls over the management of sponsored projects. In addition, the department's sponsored projects are managed by staff that are knowledgeable regarding University policies and procedures and sponsor regulations. However, we noted opportunities to further improve and strengthen internal controls in the areas of direct charging practices, recertifying personnel activity reports in conjunction with labor cost transfers, controlled substances, and submittal of final technical reports.

The audit observations and management corrective actions are detailed in the remainder of the audit report.

## Detailed Observations and Management Corrective Actions

### A. Management of Sponsored Projects

The department received approximately \$4 million in sponsored projects awards during fiscal year 2008-09. The department's sponsored projects were awarded primarily by the National Science Foundation (NSF) and the National Institutes of Health (NIH). Audit attention focused on ensuring that there are adequate resources dedicated to managing sponsored projects and that internal controls within the department have been established to ensure compliance with University policies and procedures and external sponsor regulations.

#### 1. Managing Sponsored Projects

A review was performed to determine how the Department of Psychology allocates resources to manage its sponsored projects by completing a Sponsored Projects Responsibilities separation of duties matrix. Based on the above testwork performed, despite losing 1.5 FTE in the financial area of the department due to budget cuts, the Department of Psychology has been able to effectively manage its sponsored projects. Current resources dedicated to managing sponsored projects amount to .75 FTE for pre-award and .75 FTE for post-award. However, it should be noted the individuals assigned to manage sponsored projects have other financial responsibilities within the department in addition to sponsored projects. The department Business Officer indicated the use of the GUS system has enabled the department to manage its sponsored projects with a reduced staff.

We also determined whether individuals within the Department of Psychology who are engaged in managing sponsored projects have attended research administration training courses, and are knowledgeable in the financial management of sponsored projects. Discussions with staff from the Office of Research indicated the department's Financial Coordinator and Financial Assistant have completed the STAR training program offered by the Office of Research. In addition, interactions with departmental staff during the review indicated employees responsible for the managing sponsored projects appeared knowledgeable in University policies and procedures and sponsor regulations.

## 2. Application Preparation and Submission

Review indicated the department has implemented adequate pre-award monitoring procedures to ensure that applications submitted to the Office of Research were submitted in compliance with UCSB's Policy on the Submittal of Proposals, Acceptance of Awards, and Administration of Contracts and Grants. In addition, a judgmental sample of 10 active awards was selected. Reviewed each application submitted to the Office of Research to verify the following:

- The principal investigator is eligible to be a principal investigator or a "Request for Exception" had been properly approved.
- The principal investigator contributed more than a minimum or nominal amount of time and effort to the project.
- Key personnel's salary included in the proposal budget agrees with their documented UCSB salary.
- The Facilities and Administrative (F&A) rate in the proposal was submitted at the current UCSB approved rate. If not, verified that an F&A rate reduction or waiver was completed and approved.
- Any cost sharing and matching commitments were fully disclosed in the proposal budget.
- The principal investigator properly disclosed required assurances.

The following was noted:

- In all ten cases, the principal investigator was eligible to submit a proposal, proposed more than a minimum amount of time and effort to their projects, and properly disclosed all assurances.
- In all proposals, the key personnel's salary agreed with their documented UCSB salary.
- In all proposals, the F&A rate submitted in the proposal agreed with the UCSB approved rate, or an Indirect Cost Waiver form was completed and approved.
- None of the proposals reviewed contained any cost sharing or matching commitments.

## B. Information Systems – GUS (The Grand Unified System)

The department utilizes the GUS system for the financial management of their sponsored projects and to reconcile financial transactions to the campus general ledger system. GUS is a custom financial database system developed at UCSB that is used to manage and maintain funding sources, purchasing transactions, liens, and other essential financial information for departments. GUS

enables departments to reduce the amount of time (and cost) it takes to reconcile their financial records to the campus general ledger system by automating a lot of the processes. GUS also allows principal investigators easy access to real time financial information on their sponsored projects by having web based access to financial reports and detailed transactions. Our testwork included performing a review to verify the campus general ledger and GUS are reconciled on a monthly basis and the review is documented. This also included the review and approval of the Distribution of Payroll Expense reports. Testwork indicated the department has effective systems of internal controls in this area.

### C. Direct Charging Practices

A review was performed to determine how the department directly charges and allocates costs on sponsored projects. Discussions with the department indicated they have developed business practices and internal controls to ensure that expenditures on sponsored projects are appropriate as a direct charge, charged to the appropriate fund, properly approved, and charged to the most appropriate object code. A judgmental sample of 25 sponsored projects non-payroll and 10 typically F&A transactions was selected and reviewed for appropriateness. The following was noted:

#### *Direct Charging Practices*

- In two cases, purchases of ink and toner cartridges on a NIH award using a campus Flexcard were charged to Object Code 8000, Supplies and Materials – Other, instead of object code 8015, Reproduction/Copy Supplies. Coding the expense to object code 8015 provides a better description of what was purchased and is commonly used for “in-house copier supply cost: toner, fuser, paper, etc.” Further discussions with the department indicated these are allowable direct charges; however, the supporting documentation originally provided did not include a justification as to why these typically F&A expenses were directly charged.
- In all 25 cases, the charge was not transferred or did not appear to be charged due to an overrun on another sponsored project.
- In all 25 cases, the charge was properly authorized, and approved.

#### *Typically F&A Charges*

- In one case, a charge was coded as copying costs, but the receipt for the transaction was written completely in Korean, so Audit and Advisory Services staff was unable to verify that the expense was an appropriate direct charge to the sponsored project.



- A charge of six reams of paper seemed questionable in terms of allocability. The award was the principal investigator's only award, but it's difficult to document and ensure the reams of paper were solely allocable to the award and not used for other purposes.

To strengthen internal controls over direct charging practices, GUS could be used to document that expenses are reasonable, allowable, allocable, and consistent at the requisition stage. A comment could be inserted by the employee who requested the purchase that provides further justification and explanation for those expenses that aren't clearly identifiable as an appropriate direct charge or appear to be typically F&A expenses. In addition, a review of the department's awards indicated human subject's research requires an atypical amount of copying costs, allowing copying costs to be directly charged to the sponsored project. The charges examined included outsourced copying services, such as paying Kinko's a certain amount per page copied, and in-house copier supply costs, such as paper and toner. Discussion with the Manager of Extramural Funds Accounting and the former Director of Sponsored Projects indicated that it is much more difficult to tie in-house copier supply costs to a particular sponsored project than it is to tie outsourced copying costs to a particular sponsored project. As a result, to help ensure the allowability and allocability of these types of expenses, the department could use outsourced copying costs rather than in-house copying costs when producing surveys and consent forms. Further, any receipts written in foreign languages should be translated into English, preferably by a third party prior to approving the invoices for payment.

#### Management Correction Actions

The incorrect object code and translation of receipts in a foreign language has been corrected. The Business Officer held a training meeting with the Psychology financial staff on May 27, 2010, to review the preliminary results of meetings with Audit and Advisory Services staff, and both items were discussed. New policies and procedures regarding these transactions will be implemented immediately. The Business Officer has spoken at length with the Auditors regarding Psychology's direct charges to awards for copy costs related to using human subjects for research. Since much of our research requires surveys and consent forms for hundreds of participants, copying (and the associated costs) are a reasonable expenditure directly related to the research being funded and are included as a line item in the budgets we submit to the Office of Research and the funding agencies. The GUS programmer is willing to add a drop down menu in the GUS posting screen to include appropriate language as recommended by the Auditors to provide further justification and

documentation for these expenses. This revision is in progress and should be completed by December 31, 2010. Finally, while outsourcing copying costs to ensure allowability and allocability is a good idea, the department can't require that from our researchers; however, the Business Officer will send an email to faculty informing them of this recommendation and ask that they take all copy jobs related to research (surveys and informed consents) to an outside vendor. Since most faculty are gone during the summer, and few research experiments are being run, the Business Officer will get a better response if this email goes out at the beginning of fall quarter, so an email to faculty notifying them of this recommendation will be sent by October 31, 2010.

#### D. Effort Reporting

A review was performed of the department's processes for ensuring compliance with OMB Circular A-21 (2 CFR Part 220) and UCSB's effort reporting policies and procedures. A judgmental sample of ten employees and their associated Personnel Activity Reports (PARs) during 2008-09 was selected for review. Audit attention focused on the following:

- If procedures have been established to ensure the department is notified if a principal investigator or other key personnel specifically named in the Notice of Grant Award (NOGA) withdraws from the project, is absent during any period of three months or more, or reduces time devoted to the project by 25% or more from the level that was approved at the time of award.
- If the individual certifying the PAR had direct first hand knowledge of the employee's effort.
- If effort certified was in compliance with effort committed or the variance was justified and properly approved.
- If PARs were turned into Extramural Funds Accounting in a timely manner.
- If departmental administrative and clerical salaries were charged to federal sponsored projects, were they appropriate.

Review indicated the department returned all their PARs into Extramural Funds Accounting in a timely manner. In addition, the PARs were approved by individuals with suitable means of verification. However, the following was noted:

##### 1. Administrative Personnel Charged to Federal Sponsored Projects

Two individuals with administrative title codes were charged to departmental sponsored projects. The first individual was listed as key personnel in the budgets, where the individual was

identified as administrative personnel and the need for the position was justified, for the relevant sponsored projects. The second individual, however, was not listed in the budget for the sponsored projects to which the individual's salary was charged nor was the need for administrative personnel identified in the budget. The position for this individual within the UCSB payroll system was \_ Assistant III (Title code 4722). Discussion with the departmental Business Officer indicated that this individual was actually scientific personnel on the sponsored project, but had been listed under the wrong title code. A more appropriate title code would have been in the Laboratory Assistant series (title codes: 9601-9605). Discussions with the principal investigators on these awards also indicated the individual performed scientific work.

To strengthen internal controls when charging administrative personnel to sponsored projects, justifications should be documented when the individual's salary is not clearly identified in the proposal's budget or narrative justification.

#### Management Corrective Actions

Effective immediately, when faculty charge administrative personnel to Sponsored Projects that is not clearly identified in the proposal's budget or narrative justification, we will ensure the PI contacts their Program Director for approval of this charge and keep documentation in the grant file of the approval. In the Business Officer's email to faculty, planned to go out before October 31, 2010, it will inform them of this change and that they will be responsible for obtaining the approval in advance of the employee being hired on the funding source. In addition, the Business Officer will include language in the email to faculty that clarifies the use of personnel on a research project, in particular using the appropriate title code to reflect the work that is being performed.

#### 2. Change in Key Personnel

In one case, a principal investigator's effort decreased by more than 25% from the proposed level of effort over a period of a year. The sponsored project was a multi campus NIH award that flowed through from UC Davis. Discussions with the principal investigator indicated that he had not communicated his decrease of effort with the sponsor because he is "currently at a much higher effort than budgeted and should soon even out the difference." The proposed effort by the principal investigator was 35% and the actual effort certified over the period of review was 25%, which resulted in a 29% reduction. Discussions with the former Director of the Sponsored

Projects Office indicated since this change was over a period of a year it required the prior approval of the sponsor and should have been directed through the Office of Research.

While the above example was not a material amount and appeared to be an isolated incident, the Department of Psychology should develop business practices to monitor effort for key personnel on sponsored projects to ensure sponsors are notified, when required, for changes in significant effort. Each sponsored project's terms and conditions will specify who needs to be notified if there is a significant change in effort. The department could also research if the GUS system could be enhanced to provide monitoring of a principal investigator's committed effort against actual effort to help identify significant changes.

#### Management Corrective Actions

Effective immediately, we will implement business practices to get prior approval from the Program Director through the Office of Research if a PI changes their effort on an award, or changes the effort of key personnel. The Business Officer will work with our GUS programmer to see if additional programming can be added to the database in the Personnel Module to identify proposed effort for key personnel and to flag payroll projections if those are changed. This programming change will have to be approved by the GUS Executive Committee based upon his workload and other ongoing GUS projects which will have priority. Audit and Advisory Services staff will follow-up on this management corrective action by June 30, 2011.

#### E. Research Involving Animal Subjects

A review was performed to determine if adequate internal controls had been developed over research involving animal subjects. In addition, Audit and Advisory Services selected a judgmental sample of five sponsored projects involving animal recharges (object code 7280 – ARC Recharge) and verified that the principal investigators had submitted and received an approved protocol from the IACUC for performing research on animals, and annual renewal of protocols for continuing research had been submitted and approved. Based on testwork performed, the principal investigators submitted and received an approved protocol from the IACUC for performing research on animals, and the annual renewal of protocols for continuing research had been submitted and approved in a timely manner.

## F. Research Involving Human Subjects

A review was performed to determine if adequate internal controls had been developed over research involving human subjects. In addition, Audit and Advisory Services selected a judgmental sample of five sponsored projects involving human subjects and verified the principal investigator had submitted and obtained an approved protocol from the UCSB Human Subjects Committee (HSC) prior to the start of any research, annual renewal of protocols for continuing research were submitted and approved. For each protocol, it was verified that the original signed *Informed Consent and Authorization for Release of Personal Health Information for Research Purposes* forms were documented and maintained and the principal investigator and research staff assigned to work with human subjects on the selected projects had completed the mandatory human subject training modules and the training was documented.

Further, Audit and Advisory Services verified internal controls were adequate over payments to human subjects by generating a listing of human subject payments (object code 7223) during 2008-09 and selected a judgmental sample of five payments to principal investigators. The dollar amount of incentive payments were traced back to the approved research protocol. Audit and Advisory Services also reviewed the adequacy of internal controls over the safeguarding and recordkeeping of the cash payments or gifts cards, and determined whether the human subjects documented their receipt of either cash or gift cards.

Based on the above testwork performed, in each case a human subject's protocol had been approved prior to the start of any research, the protocol renewals had been submitted and approved, the original signed informed consent forms or signed debriefing statements had been maintained by the principal investigator, and key personnel on the award had undergone UCSB Human Subjects training. However, the following was noted with regard to human subject payments:

- Human subjects do not always sign to indicate receipt of cash or gift cards. In one allocation (\$1,000) for human subject payments, three human subjects did not sign the form indicating receipt of cash payment. The cash payments for the three totaled \$130.
- Overall, the internal controls over human subject payments appeared adequate. However, one area where internal controls could be strengthened was in the storage and safeguarding of cash payments that were awaiting disbursement to subjects. Three out of five principal investigators interviewed indicated that cash is not stored in a locked receptacle prior to disbursing it to human

subjects. While these monies usually represented a small portion of the total allocation for a study, storing monies in an unlocked receptacle does increase the potential for a loss.

To improve business practices over subject payments, principal investigators should ensure a signed receipt is obtained for every subject payment, including when gift cards are issued. In addition, cash or gift cards for subject reimbursement should be adequately safeguarded in a locked receptacle prior to disbursement and access should be limited so individual accountability can be maintained at all times.

#### Management Corrective Actions

We agree that all receipts should be signed for by every human subject participant and the Psychology financial staff reminds our researchers of that every time they obtain a cash advance for human subject payments or return receipts for reimbursement. We also agree that researchers need to safeguard cash and/or gift cards prior to disbursement, but to also allow for easy access for distribution by graduate students and other research assistants as faculty are not always on site for every experiment being run. The Business Officer's email, to go out to faculty prior to October 31, 2010, will include instructions that all receipts for cash payments must be signed and that we recommend that they store all undisbursed cash or gift cards in a locked drawer or file cabinet in their lab for safekeeping.

#### G. Cost Transfers

A review was performed of both labor and non-labor cost transfers on federally sponsored projects to ensure compliance with UCSB policies and procedures, OMB Circular A-21, and sponsor regulations. A judgmental sample of five labor and five non-labor cost transfers from 2008-09 was selected to verify the cost transfer was performed in a timely manner, the cost transfer was properly authorized, and the cost transfer included an adequate justification as to why the cost was transferred and how it benefits the project that was debited. The following was noted:

##### *Labor Transfers*

- The Department of Psychology only had four payroll transfers to federally sponsored research projects during the period of our review. In all four cases, the payroll cost transfer was properly authorized, and the transfer was allowable under UCSB policies and procedures, OMB Circular A-21, and sponsor regulations. However, in two cases, the payroll cost transfers were not

performed within the 120 day criteria. In addition, the PARs for the relevant time periods were not adjusted to reflect the change in effort as a result of the cost transfer and resubmitted to Accounting Services and Controls.

### *Non-Labor Transfers*

- In all five cases, the transfer was performed in a timely manner, properly authorized, and allowable under UCSB policies and procedure, OMB Circular A-21, and sponsor regulations. However, in one instance, the justifications for the cost transfers could be expanded to more fully explain the reasons for making the transfer. A portion of a charge for a computer was transferred, but an explanation for the basis of the cost allocation was not provided. Business and Finance Bulletin A-47 (A-47), "University Direct Costing Procedures" indicates "If transferring a fractional amount, the transfer request must contain an explanation supporting a reasonable and equitable method of allocation." Follow up with the principal investigator indicated that the cost allocation was based on estimated time of use of the computer for each award.

To strengthen internal controls over cost transfers, the department should develop business practices to identify when a PAR needs to be recertified as part of a labor cost transfer adjustment. The new PAR should be resubmitted to Accounting Services and Controls. In addition, to comply with A-47, the department should fully explain reasons for allocating a portion of an expense that would support a reasonable and equitable method for the allocation.

### Management Corrective Actions

Effective July 1, 2010, per a memo that will be going out to campus from the Executive Vice Chancellor and the Vice Chancellor of Research, cost transfers past 120 days will no longer be processed, so the issue described above will become moot. However, effective immediately, for any cost transfers processed in Psychology that affect the amount of effort on an award, the financial staff will make every effort to prepare a new PAR to reflect the change in effort reporting. It is our understanding that an online PAR system is being piloted in a limited number of departments this summer and should be released to the rest of us in the near future. Since Accounting Services and Controls is the Office of Record for effort reporting, we feel that they should take responsibility in tracking effort reporting changes by notifying departments when cost transfers are initiated so that a new PAR can be issued by them that can be certified by our department to match the change in

effort. Audit and Advisory Services staff will perform a follow-up review of this management corrective action by October 31, 2010.

#### H. Controlled Substances

The Department of Psychology has developed policies and procedures for ordering, receiving, documenting, storing, and dispensing of controlled substances. The policies were last updated in June 2010. The Biopsych Lab Manager and one of the department's principal investigators hold DEA licenses and are authorized to purchase controlled substances. To ensure internal controls are functioning as intended, a judgmental sample of five purchases from 2008-09 was selected for testing. The department's business practices were compared to Business and Finance Bulletin BUS-50 (BUS-50), "Controlled Substances Program." Testwork included verifying the purchase was properly procured and approved, tracing the purchase to the inventory of controlled substances to verify it was properly added, and observing where the controlled substances are kept to ensure internal controls are adequate over access and physical security, dispensing, recordkeeping, disposal, and any discrepancy reports.

Based on the above testwork performed, the following was noted:

- There is an inadequate separation of duties. The Biopsych Lab Manager is responsible for updating the controlled substance inventory and performing the biennial physical inventory of controlled substances.
- In three cases, controlled substances were not ordered on high-value purchase orders. The items were ordered using the low-value purchase method.
- In one case, the date the items were received differed in the backup from the controlled substance inventory by over three months. The Business Officer indicated that this was probably because a packing slip was not provided and the invoice was not received until three months later.
- In all five cases, the purchase was properly approved for payment.
- Controlled substances are maintained in locked cabinets and access is limited to authorized employees.
- Controlled substances are properly disposed of by using the outside firm EXP Pharmaceuticals.

To strengthen internal controls and adhere to departmental and University policies and procedures, controlled substances should be purchased using a high value purchase order. In addition, the department could use the "Controlled Substance Delivery Form" in Attachment G of BUS-50 when a



packing slip is not included to ensure the controlled substance is accurately recorded in the inventory log. Further, the same individual should not be responsible for updating the inventory and performing the biennial inventory of controlled substances. If the department cannot internally find another individual to perform the biennial inventory to help ensure an adequate separation of duties, the department could request an individual from Environmental Health and Safety (EH&S) help out and observe the biennial inventory.

#### Management Corrective Actions

Controlled substances should be ordered on high value purchase orders; the three instances that were found in the audit were placed by a relatively new staff person who is unfamiliar with the financial process and did not understand the difference between low value and high value orders. This is a training issue that we take complete responsibility for and it has been immediately rectified. The employee who initiates the orders has been informed of the proper procedures and all of the financial staff has been retrained on controlled substances ordering. The Business Officer has revised the departmental "Policy Procedures for Ordering/Receiving/Documenting/Storing and Dispensing of Controlled Substances" to better clarify the language regarding high value orders (a copy was provided to the Audit and Advisory Services staff under separate cover) and a copy was provided for all Psychology staff for their desk manuals. We are confident this will not happen again. We do not have another employee to perform the biennial inventory to ensure separation of duties. Due to the DEA regulations, all employees handling controlled substances must undergo a DEA background check. The Business Officer verified with Human Resources that we can't require employees that do not have controlled substances as part of their regular job duties to undergo a DEA background check; therefore we can't assign another Psychology employee to do the inventory. The Business Officer is happy to work with EH&S staff to coordinate our biennial controlled substances inventory. The Business Officer will also send an email to our Biopsychology Lab Manager by August 31, 2010 informing her of this change to our procedures which will be effective for our next inventory (scheduled for May 2011).

#### I. Subagreements

A review was performed to determine if the department has implemented procedures to monitor subagreement costs to ensure compliance with applicable federal requirements. A judgmental sample of five subagreement invoices (object codes 7300 and 7305) was selected to verify

compliance. Based on the above testwork performed, the department has effective business practices over their subagreements. The following was noted:

- In each case, the Cost/Price Analysis and Related Information Subagreement Closeout Certification Forms were prepared and signed by the principal investigator.
- In each case, the Subrecipient Commitment Form was properly prepared and approved.
- In all five cases, a Certificate of Compliance with OMB Circular A-133 was completed.
- In all five cases, the period invoiced was within the period of the subagreement, the total value of the invoices did not exceed the total amount obligated by the subagreement, and F&A costs were appropriately charged
- In all five cases, the principal investigator indicated that the invoiced costs were reviewed for allowability and reasonableness.

#### J. Overdrafts

To ensure that internal controls over monitoring sponsored projects spending were effective, a summary of all sponsored projects overdrafts within the department as of June 30, 2009, was prepared to determine the value of overdrafts. Any overdrafts were followed up on to determine the reason for the overdraft. Testwork indicated the department did not have any overdrafts. Discussions with the Business Officer indicated the GUS is a valuable tool to monitor sponsored projects spending and help reduce potential overdraft situations.

#### K. Charges at the end of an Award

To determine if charges at the end of an award are appropriate, a judgmental sample of five awards with expired award dates during fiscal 2008-09 was selected for review. The awards were examined for large cost transfers within the last month of the award period and large expenses within the last 90 days of award period. The cost transfers and large expenses were examined to determine whether they were appropriate. For all five awards, the expenses at the end of the award period appeared appropriate.

#### L. Sponsored Projects Closeouts

To ensure that the department has established procedures to monitor award end dates and assist Extramural Funds Accounting in closing out all associated funds, we reviewed all awards with inactive end dates that had not been closed out as of June 30, 2009. Testwork included reviewing

that all the cash had been received on current expired awards, whether the funds were closed out, and if the funds had not been closed out, why the award had not been closed out. Testwork indicated all cash had been received and the department's expired awards were all closed at the time of our review.

#### M. Final Technical Reports

Principal investigators are responsible for preparing and submitting sponsor required final technical reports. To determine whether principal investigators are submitting technical reports in accordance with federal, sponsor, and UCSB policies and procedures, we selected a judgmental sample of five awards and reviewed to verify that the final technical report was submitted in a timely manner. The following was noted:

- In two instances, the reports were submitted in a timely manner.
- In one instance, a final technical report was due September 1, 2008 but had not been submitted as of May 12, 2010.
- In two instances, final technical reports were submitted after the due date. One was submitted over a year after the due date. The other was submitted one month after the due date.

Late or missing final technical reports can trigger audits and can also result in the University not being able to obtain payment of final invoices. Late reports can also result in a sponsor refusing to accept proposals from the principal investigator with a late report. To strengthen internal controls over submitting final technical reports, principal investigators should track due dates for their final technical reports within GUS to make sure reports are submitted in a timely manner. In addition, the department could determine if a field can be added to GUS so the principal investigator can indicate when the final technical report was submitted to the sponsor. A report could then be printed out from GUS that would indicate past due final technical reports and departmental administrative staff could follow-up with the principal investigators to make sure the reports are submitted. For reports not submitted within a certain time period, the Chair could be notified so he/she could talk directly with the principal investigator of the award. For the report identified in the above sample that has not been submitted, the Chair should talk with the principal investigator to ensure the report gets submitted to the sponsor and the Office of Research.

### Management Corrective Actions

PI's should understand their responsibility regarding extramural funding and provide annual and final technical reports to agencies on a timely basis. They receive a copy of the full award documents when the award is made that outline all the award requirements including deadlines for annual and final technical reports. However, GUS can send faculty monthly reminders on upcoming reports that are due. We will fully implement this by September 30, 2010. By using the reporting tool in the GUS "Project Module" we will enter due dates for annual and technical reports for all active awards. Once those have been entered, GUS will automatically generate email reminders for faculty starting three months before the due date of their report to remind them the report is due. Once they receive this reminder, it is their responsibility to complete the report, submit it to the agency and provide our office with a copy for their grant file. They will continue to receive the monthly email reminders until they notify us the report has been submitted by providing us with a copy. In addition, by adding the report due dates to the GUS database, the due dates will now display on all of the web financial reports. Faculty have access to their financial data via the web at all times; if their report due dates are there as well, it will help them manage their deadlines for annual and final technical reports, which is their responsibility as principal investigator. The Financial Coordinator will provide a list of reports that are more than three months past due to the department chair so he/she can contact PI's to remind them of their responsibility regarding annual and final technical reports to granting agencies.