

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES**

**Cost Sharing for Sponsored Awards
Project # 22-019**

May 2022



University of California
San Francisco

Audit & Advisory Services

UCSF Box 0818
1855 Folsom Street
San Francisco, CA 94143

tel: 415.476.3851
fax: 415.476.3326

www.ucsf.edu

May 6, 2022

Shannon Turner
Associate Vice Chancellor & Controller
Controller's Office

SUBJECT: Cost Sharing for Sponsored Awards

As a planned internal audit for Fiscal Year 2022, Audit & Advisory Services ("A&AS") conducted a review to assess the internal controls and processes for the budget commitment and recording of actual cost sharing for sponsored awards to ensure cost sharing commitment comply with University policy and sponsor requirements.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed and the preliminary draft report was provided to department management in April 2022. Management provided their final comments and responses to our observations in May 2022. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Committee, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit and Advisory Services



EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2022, Audit & Advisory Services conducted a review to assess the internal controls and processes for the budget commitment and recording of actual cost sharing for sponsored awards to ensure cost sharing commitment comply with University policy and sponsor requirements.

Federal and non-federal sponsors define cost sharing as the portion of sponsored project costs not reimbursed by the sponsor and must be supported by the University funds. There are three types of cost sharing:

- Mandatory committed cost sharing is required by the sponsor and committed in the sponsor proposal. It becomes auditable once the award is made, requiring tracking and reporting.
- Voluntary committed cost sharing is not formally required by the sponsor but committed in the sponsor proposal and must also be tracked and reported.
- Voluntary uncommitted cost sharing is not required by the sponsor but offered by the institution without measurement and with no corresponding funding requested or awarded and is not required to be tracked and reported.

The cost sharing commitment on sponsored awards for FY 2021 through September 2021 is outlined in the table¹ below by control point²:

Control Point	Mandatory Committed	Voluntary Committed	Grand Total	Total Sponsored Awards
Global Health Sciences	\$354,253	\$0	\$354,253	6
School of Medicine	\$2,846,864	\$3,614,912	\$6,461,776	101
School of Pharmacy	\$0	\$537,301	\$537,301	1
Grand Total	\$3,201,116	\$4,152,213	\$7,353,329	108

For awards with cost sharing requirements, the department submits the Cost Sharing Budget Template including funding chartstring information to Contracts & Grants Accounting (CGA) within 10 working days of receiving the award notice. CGA enters the cost share commitment information in the Research Administration System (RAS)³ and posts a budget journal on cost share fund code 4900 in combination with the sponsored project chartstring.

Failure to fulfill the cost sharing commitment puts the sponsored award at risk of being deemed non-compliant by the sponsor and may require the University to return funding.

¹ Cost sharing data source provided by Contracts & Grants Accounting (CGA) from the Research Administration System (RAS).

² Organizational unit responsible for the award transactions.

³ RAS is an integrated part of the UCSF PeopleSoft financial system to help manage Research Administration activities, as well as an integration of pre-award and post-award processing by Departments, Office of Sponsored Research (OSR), and Contracts & Grants Accounting (CGA).

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the internal controls and processes for the budget commitment and recording of actual cost sharing for sponsored awards to ensure cost sharing commitments comply with University policy and sponsor requirements. The scope of the review covered transactions and activities for July 2020 through September 2021.

Procedures performed as part of the review included reviews of applicable University and regulatory policies and procedures related to cost sharing for sponsored awards; interviews and walkthroughs with relevant personnel to get an understanding of activities for the areas under examination; validation testing of a sample of awards with cost share commitment to determine that cost sharing is approved, tracked, and commitment has been met.

For more detailed steps, please refer to Appendix A.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in February 2022.

III. SUMMARY

Based on work performed, there are opportunities for enhanced controls and processes relating to the approval, recording, and tracking of the cost sharing commitments to ensure commitments are met in accordance with sponsored award stipulations.

The specific observations from this review are listed below as well as in Section IV.

1. Discrepancies were identified in the cost sharing commitments recorded in the Research Administration System (RAS) and in the General Ledger.
2. Effective monitoring procedures are not in place for ensuring that sponsored award cost sharing commitments are met by the award period end date.
3. Cost sharing was not always approved by the appropriate personnel.
4. Cost sharing expenses were not always charged to the correct funding source.
5. Controls over the tracking and monitoring of subaward cost sharing commitments could be enhanced.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCA)

No.	Observation	Risk/Effect	Recommendation	MCA
1.	<p><i>Discrepancies were identified in the cost sharing commitments recorded in the Research Administration System (RAS) and in the General Ledger.</i></p> <p>During the review of a sample of 15 cost sharing awards, we noted the following:</p> <p>(A) Cost sharing commitment amount or award information was not always accurately recorded in RAS:</p> <ul style="list-style-type: none"> • 3 mandatory cost sharing awards in RAS did not accurately reflect the required cost share amounts as stated in the award agreement for the award period. • 1 voluntary cost sharing award reflected the required cost share amount. However, the cost sharing funding source details were not shown in the cost sharing lines in RAS due to the department not submitting the cost sharing budget to CGA. <p>Please see the table below for the details of the discrepancies:</p>	<ul style="list-style-type: none"> • Inaccurate or incomplete cost sharing commitment setup in RAS and/or the General Ledger can result in cost sharing expenses charged to the incorrect funding source and/or cost sharing commitments not met by the award end date. • Not having the correct cost share budget amount in the General Ledger limits the ability to monitor and ensure the cost share commitment has been met. 	<ul style="list-style-type: none"> • For the errors identified CGA should work with the departments to submit a new/or revised Cost Sharing Budget Template and enter the correct cost share amount in RAS and the General Ledger. • Verification procedures should be developed to ensure that cost sharing commitments are accurately recorded in RAS and the General Ledger. 	<p>ACTION</p> <p>(a) CGA will review the variances in the cost share report and work with the identified departments to get these awards updated.</p> <p>(b) CGA has added training to the RA Town Halls and CGA Staff meetings to address the importance of cost share commitments and accurately capturing them on the ledger. The inclusion of cost share on the FM Dashboard should also help departments</p>

No.	Observation	Risk/Effect	Recommendation	MCA																																					
	<table border="1" data-bbox="296 233 968 553"> <thead> <tr> <th>CS Type*</th> <th>CS Amount in RAS</th> <th>Required CS Amount</th> <th>Diff %</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>M</td> <td>\$22,761</td> <td>\$61,702</td> <td>171%</td> <td></td> </tr> <tr> <td>M</td> <td>\$130,842</td> <td>\$300,000</td> <td>129%</td> <td></td> </tr> <tr> <td>M</td> <td>\$133,333</td> <td>\$130,373</td> <td>-2%</td> <td></td> </tr> <tr> <td>V</td> <td>\$537,301</td> <td>\$537,301</td> <td>0%</td> <td>budget template to CGA to setup CS budget in RAS and track CS on award in MyReports. Department working with CGA to resolve.</td> </tr> </tbody> </table> <p data-bbox="296 561 768 586">* Cost Sharing (CS) Type: M=Mandatory V=Voluntary</p> <p data-bbox="279 597 1020 662">(B) Cost sharing amount was not accurately reflected in the General Ledger:</p> <p data-bbox="323 699 1024 829">2 mandatory cost sharing awards in the general ledger did not agree with the budget cost sharing amount stated in RAS. Please refer to the table below for the details of the awards.</p> <table border="1" data-bbox="296 862 705 1003"> <thead> <tr> <th>CS Type*</th> <th>CS Budget-MyReports</th> <th>CS Amount in RAS</th> <th>Diff %</th> </tr> </thead> <tbody> <tr> <td>M</td> <td>\$30,205</td> <td>\$22,761</td> <td>-25%</td> </tr> <tr> <td>M</td> <td>\$102,105</td> <td>\$130,842</td> <td>28%</td> </tr> </tbody> </table> <p data-bbox="296 1016 789 1040">* Cost Sharing (CS) Type: M=Mandatory V= Voluntary</p>	CS Type*	CS Amount in RAS	Required CS Amount	Diff %	Comments	M	\$22,761	\$61,702	171%		M	\$130,842	\$300,000	129%		M	\$133,333	\$130,373	-2%		V	\$537,301	\$537,301	0%	budget template to CGA to setup CS budget in RAS and track CS on award in MyReports. Department working with CGA to resolve.	CS Type*	CS Budget-MyReports	CS Amount in RAS	Diff %	M	\$30,205	\$22,761	-25%	M	\$102,105	\$130,842	28%			<p data-bbox="1646 233 1877 529">monitor these variances. (c) CGA will identify monitoring processes to avoid similar discrepancies going forward.</p> <p data-bbox="1646 565 1856 695">COMPLETION DATE December 31, 2022</p> <p data-bbox="1646 732 1877 894">RESPONSIBLE PERSON Associate Vice Chancellor & Controller</p>
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2.	<p data-bbox="279 1094 1003 1192">Effective monitoring procedures are not in place for ensuring that sponsored award cost sharing commitments are met by the award period end date.</p> <p data-bbox="279 1227 978 1390">Cost sharing commitment for 7 (6 mandatory and 1 voluntary) out of the 15 cost sharing awards reviewed were not met by award end date. We identified the following variances between the required cost sharing amounts and actual amounts:</p>	<ul data-bbox="1052 1094 1293 1424" style="list-style-type: none"> Failure to fulfill the cost sharing obligations may lead to a reduction in the total awarded amount, or the sponsor may require the 	<ul data-bbox="1335 1094 1629 1390" style="list-style-type: none"> For the cases identified in the review, CGA should review unfulfilled cost sharing commitments and work with the department to correct incomplete 	<p data-bbox="1646 1094 1772 1127">ACTION</p> <p data-bbox="1646 1130 1877 1390">(a) CGA will review the awards identified and work with the departments to meet the commitments.</p>																																					

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	<table border="1" data-bbox="302 245 926 618"> <thead> <tr> <th>CS Type</th> <th>Required CS Amount*</th> <th>Actual CS - MyReports</th> <th>Diff %</th> <th>Award Type</th> </tr> </thead> <tbody> <tr> <td>M</td> <td>\$61,702</td> <td>\$51,226</td> <td>-17%</td> <td>Federal</td> </tr> <tr> <td>M</td> <td>\$64,980</td> <td>\$7,591</td> <td>-88%</td> <td>Federal</td> </tr> <tr> <td>M</td> <td>\$130,373</td> <td>\$100,834</td> <td>-23%</td> <td>Federal</td> </tr> <tr> <td>M</td> <td>\$125,000</td> <td>\$100,834</td> <td>-19%</td> <td>Federal</td> </tr> <tr> <td>V</td> <td>\$25,000</td> <td>\$0</td> <td>-100%</td> <td>Federal</td> </tr> <tr> <td>M</td> <td>\$300,000</td> <td>\$0</td> <td>-100%</td> <td>Non-Federal</td> </tr> <tr> <td>M</td> <td>\$314,766</td> <td>\$228,518</td> <td>-27%</td> <td>Non-Federal</td> </tr> </tbody> </table> <p data-bbox="302 630 793 651">* Cost Sharing (CS) Type: M= Mandatory V= Voluntary</p> <ul data-bbox="327 699 1024 1235" style="list-style-type: none"> On voluntary cost sharing award of \$25,000, the department indicated no cost sharing expenses should post as the \$25,000 is not considered true cost-sharing but rather research support. However, the proposal indicates a voluntary cost sharing arrangements with both the Cancer Center and the Institute for Global Health Sciences at UCSF up to \$135,000 (\$27,000/year) during the 5-year period. On mandatory cost sharing award of \$300,000, the Principal Investigator (PI) indicated cost sharing is not needed and the award should have not been setup as cost share. However, the award agreement states a cost share commitment of \$300,000. The PI has not contacted the sponsor to request removing the cost share commitment. <p data-bbox="279 1271 1024 1365">In our review, we noted there was lack of monitoring from department administrators and CGA to ensure the cost sharing commitment was complete.</p>					CS Type	Required CS Amount*	Actual CS - MyReports	Diff %	Award Type	M	\$61,702	\$51,226	-17%	Federal	M	\$64,980	\$7,591	-88%	Federal	M	\$130,373	\$100,834	-23%	Federal	M	\$125,000	\$100,834	-19%	Federal	V	\$25,000	\$0	-100%	Federal	M	\$300,000	\$0	-100%	Non-Federal	M	\$314,766	\$228,518	-27%	Non-Federal	<p data-bbox="1083 228 1276 293">University to return funding.</p>	<p data-bbox="1367 228 1549 293">cost share commitments.</p> <ul data-bbox="1339 334 1633 1065" style="list-style-type: none"> To reinforce compliance and to ensure the cost sharing commitments are met, CGA should provide guidance and additional training to departments on cost sharing monitoring. CGA should consider developing monitoring procedures to ensure the cost sharing commitment has been completed by the award end date. 	<p data-bbox="1644 228 1892 992">(b) CGA will include additional training at upcoming RA Town Halls and to address the importance of reporting cost share commitments and capturing them on the award. The inclusion of cost share on the FM Dashboard should also help departments monitor these variances.</p> <p data-bbox="1644 1000 1892 1300">(c) CGA will include training at internal staff meetings on how to monitor and accurately capture cost share when reporting.</p> <p data-bbox="1644 1333 1860 1398">COMPLETION DATE</p>
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	<p>According to UCSF Controller’s Office guidelines for cost sharing on sponsored awards, departments should monitor the cost share during the award, by comparing the recorded cost share expenses to the cost share commitment on a periodic basis to ensure that the cost share commitment has been met by the award end date.</p>			<p>December 31, 2022</p> <p>RESPONSIBLE PERSON Associate Vice Chancellor & Controller</p>
<p>3.</p>	<p><i>Cost sharing was not always approved by the appropriate personnel.</i></p> <p>Two departmental funded cost sharing awards (1 mandatory and 1 voluntary) out of the 15 cost sharing awards reviewed, were not approved by either the Department Chair, Director, or an authorized department official (i.e., department head) as per UCSF policy. The details of the awards are as follows:</p> <ul style="list-style-type: none"> • 1 voluntary cost sharing award of \$52,170⁴ was approved by the Principal Investigator, who is not an authorized department official. • 1 mandatory cost sharing award of \$1,927,055 (UCSF cost share of \$120,441 + subaward’s cost share of \$1,806,614) did not have approval by the chair in e-proposal. <p>UCSF Campus Administrative Policy 300-19 Expenditures of Sponsored Projects requires Department Chairs or Organized Research Unit Directors to approve</p>	<ul style="list-style-type: none"> • Not having cost sharing approved by the Department Chair/or authorized department official can result in cost sharing expenses charging to an unauthorized departmental funding source. 	<ul style="list-style-type: none"> • Research Management Services (RMS) should ensure proposals with cost sharing commitments are routed to the Department Chair for approval in e-proposal during the sign off process. • Departments should obtain approval from the Department Chair when cost sharing commitments are made after the proposal stage. 	<p>ACTION</p> <p>(a) OSR will review and refine internal process to ensure cost share is approved by appropriate personnel.</p> <p>(b) OSR will add training to OSR Staff meetings to address the importance that cost share approvals meet UCSF policy.</p>

⁴ During the award’s no cost extension period (NCE), the Principal Investigator’s (PI) effort was voluntary cost shared for \$52,170 because there were insufficient funds available to fulfill the PI’s effort requirement during the NCE period. The voluntary cost share budget of \$52,170 was submitted to CGA during NCE period and not provided to the sponsor. The cost share was approved by the PI not by an authorized department official.

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>departmentally funded cost sharing during the proposal review and sign off process.</p>			<p>(c) OSR will identify monitoring processes to avoid similar process gaps going forward.</p> <p>COMPLETION DATE March 30, 2023</p> <p>RESPONSIBLE PERSON Director - OSR</p>
<p>4.</p>	<p><i>Cost sharing expenses were not always charged to the correct funding source.</i></p> <p>During the review, it was noted on one cost sharing award, payroll expenses were charged to an unapproved federal funding source. The department had obtained approval from the sponsor, Department of Defense (DOD), to charge cost share only for the award’s subaward site, UC Davis; however, approval was not obtained from the sponsor to cost share UCSF payroll expenses that were charged on the unapproved federal funding source.</p>	<p>Charging unauthorized cost sharing expenses on a federal award may result in non-compliance and costs could be unallowed or denied.</p>	<ul style="list-style-type: none"> • The department should obtain sponsor approval to authorize cost sharing for UCSF payroll expenses. • CGA should follow up with the department to ensure approval is obtained from the sponsor. 	<p>ACTION</p> <p>(a) CGA will follow-up with departments for the identified award to ensure the proper funding source is used to meet the commitments</p> <p>(b) CGA will announce and then implement the gathering of the cost</p>

No.	Observation	Risk/Effect	Recommendation	MCA
				<p>share approval documentation that confirms the source of the cost share commitment.</p> <p>COMPLETION DATE December 31, 2022</p> <p>RESPONSIBLE PERSON Associate Vice Chancellor & Controller</p>
5.	<p><i>Controls over the tracking and monitoring of subaward cost sharing commitments could be enhanced.</i></p> <p>We identified two cost sharing awards that did not accurately reflect the subaward’s cost sharing commitment in RAS.</p> <p>When a subaward on a sponsored award covers a cost sharing commitment, in part or in full, the cost share contribution is considered a third-party cost share. Therefore, it is important for subaward’s cost sharing commitment to be sufficiently documented in RAS and monitored to ensure the cost sharing commitment has been met.</p>	<p>Not properly tracking a subaward cost sharing may result in incomplete and/or inaccurate reporting.</p>	<p>CGA should develop subaward cost sharing monitoring procedures to ensure the cost share commitment has been met.</p>	<p>ACTION CGA implemented new procedures for capturing subaward cost share commitments in March 2022. This includes the use of an additional section on the Cost Share page in each award in RAS and additional documentation</p>

No.	Observation						Risk/Effect	Recommendation	MCA	
	CS Type*	Award #	Period	Required CS Amount	CS Amount in RAS	Diff %	Comments			for these commitments. This was presented at the March 2022 RA Town Hall with the full process and updates announced in the March 1, 2022 Controllers Office Newsletter. Action Complete
M	A130181	04	\$1,927,055	\$120,441	-94%	Required CS Amount of \$1,927,055 = UCSF CS of \$120,441 + Subaward's CS of \$1,806,614.				
M	A135250	01	\$314,766	\$332,200	6%	CS Amount in RAS of \$332,200 = UCSF CS of \$297,156 + Subaward WFSAs CS of \$16,500 + Subaward Lifebox CS of \$18,544.				
* Cost Sharing (CS) Type: M= Mandatory V= Voluntary										

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed Federal Agency, University, and local policies for applying cost sharing to sponsored awards (UC Contracts & Grants Manual).
- Interviewed personnel and perform walkthroughs to get an understanding of activities for the areas under examination.
- Reviewed Cost Sharing Reports (provided by CGA). Identified awards with cost share commitments for scope period and distinguished between mandatory and voluntary cost share.
- For selected sample, verified the Vice Chancellor (VC) for Research and Executive Vice Chancellor and/or Provost approved requests to use central campus funding for mandatory cost sharing and verified Department Chairs, Organized Research Unit Directors, and/or Deans provided their consent/concurrence on requests for central campus funding for mandatory cost sharing (if applicable).
- For selected sample, verified Department Chairs, Organized Research Unit Directors, and/or Deans approved departmental funding for mandatory and voluntary cost sharing during the proposal sign off process and ensured that the cost sharing expense does not exceed the value of the project.
- Reviewed the cost sharing requirements in award agreement. Verified cost sharing type, and amount are accurately reflected in the award profile in the Research Administration System (RAS) agree with award requirements and that there were adequate supporting documents.
- Verified the budget entry posted in MyReports for the cost sharing award accurately reflects the cost sharing commitment.
- For cost sharing payroll, verified, cost sharing distribution lines in the payroll system are setup for the Principal Investigator and other staff members (if applicable).
- Reviewed mandatory and voluntary cost sharing expenses transactions in MyReports. Verified cost sharing expenses were charged to the correct funding source.
- Assessed CGA's monitoring process for tracking cost sharing for sponsor awards to ensure cost sharing commitments has been met.