

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

**Contracts & Grants - Award Verification  
Project # 24-003**

**July 2024**



University of California  
San Francisco

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Assistant Controller – Contracts and Grants

**SUBJECT: Contracts & Grants- Award Verification**

As a planned internal audit for Fiscal Year 2024, Audit & Advisory Services ("A&AS") conducted a review of the award verification activities to ensure that Principal Investigators (PIs) are meeting the requirements of the Uniform Guidance for federal awards.

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 May 2024. Management provided final comments and responses to our observations in July 2024. 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. A&AS will periodically follow up to confirm that the agreed-upon management corrective actions are completed within the dates specified in the final 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,

A handwritten signature in black ink, appearing to read "Irene McGlynn", with a horizontal line extending to the right.

Irene McGlynn  
Chief Audit Officer  
UCSF Audit and Advisory Services



## EXECUTIVE SUMMARY

### I. BACKGROUND

As a planned audit for Fiscal Year 2024, Audit & Advisory Services conducted a review of the award verification activities to ensure that Principal Investigators (PIs) are meeting the requirements of the Uniform Guidance<sup>1</sup> for federal awards.

Uniform Guidance 2 CFR 200.430 - Compensation-personal services requires compensation for personal services charged to federal awards based on records that accurately reflect the work performed. Records must be supported by an internal control system that provides reasonable assurance that charges are accurate, allowable, and properly allocated.

Effort Reporting<sup>2</sup> was retired at University of California, San Francisco (UCSF) in August 2020 and replaced with award verification. Award verification is UCSF's procedure to support PIs in meeting the requirements of the Uniform Guidance for federal awards. UCSF's award verification procedure has two components: documenting the General Ledger (GL) verification using the GL Verification Tool and documenting award verification using the Award Verification Tool.

The Award Verification Tool was implemented in April 2021. The Award Principal Investigator (PI) must use the Award Verification Tool to verify at least quarterly that payroll and non-payroll expenses for all sponsored awards (including those funded by non-federal sources) are allowable, allocable, and reasonable.

Contracts and Grants Accounting (CGA) sends escalation notifications for those awards that are out of compliance. CGA implemented a new escalation process in April 2024 to simplify the scheduling of past-due notifications. Notifications will be sent quarterly for overdue awards in January, April, July, and October. The new escalation process is outlined below:

Verification Status	Action
Past Due - One to three months	CGA will notify the Award PI and Research Service Analyst (RSA). The RSA notifications will group awards with overdue verifications by the Award PI.
Past Due - Four months or more	CGA will notify the Department Financial Administrator, Award PI, and RSA. CGA may transfer charges for unverified awards without grant extensions, following the CGA Default Discretionary Journal Procedure.

### II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess award verification activities to ensure that PIs are meeting the requirements of Uniform Guidance for federal awards.

<sup>1</sup> Uniform Guidance is a government-wide framework for grants management and provides an authoritative set of rules and requirements for federal awards.

<sup>2</sup> Effort reporting was the method used to confirm to sponsors that the effort spent on a sponsored agreement reasonably reflects the salary and wages charged to that agreement.

The scope of the review covered transactions and activities for FY 2023 through FY 2024 as of December 2023. Procedures performed as part of the review included interviews and walkthroughs with relevant personnel; review of Uniform Guidance and applicable University policies, validation testing of a sample of federal awards, verification of the monitoring process for award verification compliance, and determining the escalation process for awards out of compliance with federal regulations and University policy. 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 March 2024.

### III. **SUMMARY**

Based on work performed, we noted that CGA has an escalation process in place for past-due verifications. CGA implemented a new escalation process in April 2024 to streamline the scheduling of past-due notifications.

Opportunities for improvement exist in department procedures for award verification, recording cost-sharing commitments, and monitoring unverified awards.

The specific observations from this review are listed below.

1. There are gaps in the current award verification escalation process.
2. Confirmation of cost sharing commitments was not documented in the award verification tool.
3. Not all campus departments have established procedures to review and monitor award verification activities for compliance with policies and federal guidelines.

Additionally, during the course of this review, potential opportunities for improvement were noted for enhancing the Award Verification Tool and process to improve user functionality and increase verification compliance.

IV. **OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCAs)**

<u><b>No.</b></u>	<u><b>Observation</b></u>	<u><b>Risk/Effect</b></u>	<u><b>Recommendation</b></u>	<u><b>MCA</b></u>
1.	<p><b><i>There are gaps in the current award verification escalation process.</i></b></p> <p>While escalation notifications are being sent to PIs and department administrators, the process does not take into consideration awards that continue to be past due; as a result, a large number of awards remain to be un-verified and out of compliance.</p> <p>We also noted that there was no monitoring process in place to identify and take further actions for awards that continue to be out of compliance. As of 1/12/2024 (at the beginning of the review), 4,227 total verifications were past due over four months or more. As of 3/27/2024, 3,752 total awards remain past due. Monitoring will help identify awards that continue to be out of compliance, which may require CGA to move charges associated with all unverified awards four months or more past due to an unrestricted fund.</p> <p>Per <i>UC Contracts and Grants Manual 7-330—Confirmation of Personal Services</i>, confirmation reviews must be completed within 120 days after the end of the reporting period. Timely reviews are a condition of accepting federal funding when salary expenses are incurred, or a cost-shared salary is proposed on the award.</p>	Failure to monitor unverified awards increases the risk of non-compliance with University policy and federal regulations.	CGA should establish a monitoring process for current and past-due award verifications and take appropriate actions to ensure compliance.	<p><b>Action:</b></p> <p>1) CGA implemented the Enhanced Award Verification Escalation process. This includes quarterly notifications that will capture the number of past-due awards.</p> <p><b>(Completed in April 2024)</b></p> <p>2) CGA Compliance will evaluate the new process to identify gaps and determine if adjustments are necessary based on the compliance rate.</p> <p><b>Responsible Party:</b> Assistant Controller – Contracts and Grants Accounting</p> <p><b>Target Completion Date:</b> 3/31/2025</p>

No.	Observation	Risk/Effect	Recommendation	MCA
2.	<p><b>Confirmation of cost sharing commitments was not documented in the award verification tool.</b></p> <p>A sample of ten (10) sponsored awards with mandatory and voluntary cost-sharing commitments was selected for review. While the awards selected had been verified by the PI, we noted that none of the awards had comments entered in the Award Verification Tool to indicate that cost-sharing commitments were posted to the GL.</p> <p>Per the UCSF Controller's Office award verification guidelines, departments should confirm that sponsored awards with mandatory or voluntary cost share and salary commitments on Career Development Awards (K awards) have been posted to the GL. Once confirmed, a comment should be entered in the Award Verification Tool indicating the cost share or K award salary commitment. The comment should be flagged as critical and included in the comment history.</p> <p>Using comments in the Award Verification Tool to document cost share and K awards commitments creates an auditable verification record and demonstrates compliance with University policy and sponsor requirements.</p>	Failure to confirm that cost sharing and salary commitments on K awards were posted to the GL may indicate that verification was not performed appropriately and non-compliance with the award verification guidelines.	CGA should remind campus departments to confirm and capture cost share and K award salary commitments using flagged comments in the Award Verification Tool in each verification cycle.	<p><b>Action:</b></p> <p>CGA will include training at the next Post Award Management (PAM) Compliance Training and address the importance of entering comments in the Award Verification Tool for cost share commitments.</p> <p><b>Responsible Party:</b> Assistant Controller – Contracts and Grants Accounting</p> <p><b>Target Completion Date:</b> 12/31/2024</p>
3.	<p><b>Not all campus departments have established procedures to review and monitor award verification activities for compliance with policies and federal guidelines.</b></p> <p>A sample of twelve (12)<sup>3</sup> PIs with past due (4 months or more) award verifications were selected for review in the Award Verification Tool. We noted that department research administrators for seven of the twelve PIs did not review</p>	Not having effective award verification review and monitoring processes for award verification	<ul style="list-style-type: none"> <li>CGA should reinforce compliance and provide additional training to departments to ensure award verification is</li> </ul>	<p><b>Action:</b></p> <p>CGA will include training at the next Post Award Management (PAM) Compliance Training and address the</p>

<sup>3</sup> PIs selected were from School of Medicine (SOM), which include the following: 4 in Dept. of Medicine, 2 in Dept of Epidemiology & Biostatistics, 2 in Dept of Pediatrics, 2 in Dept of Neurological Surgery, and 2 in Dept of Neurology.

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
	<p>award verification activities or monitor past-due verifications. Additionally, based on discussions with the research administrators, there were no departmental procedures in place to ensure the Award PI completes award verification at least quarterly and monitors past due verifications in the Award Verification Tool.</p> <p>Per the UCSF Controller's Office, departments should establish Award Verification procedures to ensure that Award PIs verify each sponsored award at least quarterly using the Award Verification Tool to comply with Uniform Guidance CFR 200.430 and UCSF Campus Policy 300-19 Expenditures of Sponsored Projects.</p>	increases the risk of non-compliance with relevant policies/ federal guidelines and may result in disallowance and penalties.	<p>incorporated into their current departmental procedures.</p> <ul style="list-style-type: none"> <li>CGA should remind department research administrators to review award verification activity each cycle, monitor past-due verifications, and follow up with PIs to ensure timely completion of award verification.</li> </ul>	<p>importance of reviewing and monitoring award verification activities.</p> <p><b>Responsible Party:</b> Assistant Controller – Contracts and Grants Accounting</p> <p><b>Target Completion Date:</b> 12/31/2024</p>

#### V. OPPORTUNITIES FOR IMPROVEMENTS

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>
1.	<p><b>CGA should consider enhancing the Award Verification Tool and process to improve user functionality and increase verification compliance.</b></p> <p>During this review, departments provided feedback on potential enhancement opportunities to the Award Verification Tool as follows:</p> <ul style="list-style-type: none"> <li>Include an option to display only award expenditures.</li> <li>Include net position for clinical trial awards.</li> </ul>	Improving the Award Verification Tool supports department administrators and PIs in completing award	Consult with UCSF IT on the feasibility to improve existing systems functionalities in the Award Verification Tool.

<b>No.</b>	<b>Observation</b>	<b>Risk/Effect</b>	<b>Recommendation</b>
	<ul style="list-style-type: none"><li>• Include an option to show only federal awards for verification to allow award PIs to prioritize verification and meet the requirements of Uniform Guidance.</li><li>• Enhance the Verification Status report to include the Department ID's name and the award begin and end date so users will not need to drill down details on award graphs.</li><li>• Establish an award verification coordinator role (similar to the effort report coordinator role) to serve as the department's point of contact to ensure activities are completed.</li></ul>	verification activities.	



**APPENDIX A**

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

- Reviewed Uniform Guidance and applicable University and local UCSF policies and procedures for award verification.
- Interviewed personnel and performed walkthroughs to understand activities for the areas under examination.
- Analyzed the compliance rate for award verifications and selected departments/principal investigators with low compliance rates for further analysis.
- Determined the monitoring process (central and department level) in place for award verification compliance.
- Identified past due award verification on federal awards and determined the escalation processes.
- Tested a sample of federal awards to determine whether the Award Principal Investigator (PI) performed award verification quarterly.
- Selected a sample of award verifications with comments. Determined whether appropriate actions were taken to address the comments.
- Selected a sample of sponsored awards with mandatory and voluntary cost sharing. Determined if cost share commitment was recorded in the Award Verification Tool.
- Identified opportunities for improvement in processes and controls.