

March 22, 2017

FARHAT BEG
Director
Center for Energy Research
0411

**Subject: Center for Energy Research
 Report 2017-09**

The final report for the Center for Energy Research Report 2017-09, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier
Director
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Attachment

cc: Sandra Brown
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Center for Energy Research
Report No. 2017-09
March 2017

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Center for Energy Research (CER) business processes. The objective of our review was to evaluate whether current business practices provide reasonable assurance that operations are effective, in compliance with University policies and procedures, and accurate financial reporting. The scope of our review included activities for Fiscal Year (FY) 2015 and 2016.

We concluded that internal controls were generally adequate and provided reasonable assurance that operations were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. However, we did observe instances where increased oversight could improve compliance. For example, we observed that effort reporting activities increased the risk of a Federal audit finding by allocating 100% of the researchers salary for federal awards, precluding allowance for peripheral activities such as proposal preparation and organizational support activities. We also identified needed improvement in equipment management practices to provide greater assurance for reporting requirements and the management of asset information per University policy and federal guidelines.

We identified additional opportunities for increased compliance in Express Card administration, transaction sampling, time keeping activities, and travel and entertainment approvals. Management Action Plans to address these findings are summarized below:

Management Action Plans

A. Effort Reporting on Federal Research Awards

CER will work with leadership to determine if core funding is available to mitigate audit risk.

B. Asset Accountability

CER will:

1. Consider additional training and enhance review procedures to accurately identify equipment purchases.
2. Formalize procedures and complete equipment inventory in compliance with UC policy requirements.

C. Express Card Administration

CER has added the MSO as an Express Card administrator to specifically oversee the existing Express Card administrator's own card, to ensure compliance with policy. In addition, transaction reviewers will not be in a subordinate position.

D. Transaction Sampling

CER will ensure that all sampled transaction are appropriately reviewed and documented within Ledger Reviewer and Control Tracker, on a timely basis.

E. Timekeeping Practices

CER will improve internal control procedures for leave and overtime approvals, by establishing a process for documenting requests. CER has transitioned staff who are paid bi-weekly to

MyTime for timekeeping processes. Personnel who are paid monthly will also be transitioned to MyTime.

F. Travel and Entertainment Approvals

The Director's travel and entertainment expenditures are now reviewed by the ORA's office.

Observations and related Management Action Plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the Center for Energy Research (CER) as part of the approved audit plan for Fiscal Year (FY) 2016-17. This report summarizes the results of our review.

CER is an Organized Research Unit (ORU) at the University of California San Diego (UCSD) aimed at coordinating and promoting energy research and education. The organization was founded as the Energy Center in 1972, and formally designated an ORU in 1974, placing the Center under the oversight of the Vice-Chancellor of Research (VCR). CER provides a venue for interdisciplinary interactions among UCSD faculty, researchers, students and the public. Members of CER perform basic and applied research in the fields of plasma and fusion energy, solar energy forecasting, energy storage, and related disciplines. Their efforts are supported by an administrative office staff that oversee the centers' business process and fund management. The VCR provides funding for the administrative staff, as well as IT support for the center.

ORUs are subject to annual reporting requirements, as well as a comprehensive five year external review to assess the organizations programs and goals and to ensure that the ORU is meeting its research obligations. Using a template provided by the Office of Research Affairs (ORA), CER prepares an annual report for the VCR which details academic and diversity progress within the past year. The report also features personnel counts, sources and uses of funds, and space occupied in the context of the center's goals for the upcoming year. The report is a prerequisite for continued VCR administrative funding.

The CER business office currently consists of four and a half full-time equivalents (FTEs), including a Management Services Officer (MSO) employed at 50%, two fund managers, a Research Program Manager, and one administrative assistant¹. A third Fund manager was hired in August 2016, as part of a current year funding augmentation. Fund managers work with the principle investigators (PI) to provide business process support in all aspects of award management. They also interact with various campus departments including Office of Post Award Financial Services (OPAFS) and Office of Contracts and Grants Administration (OCGA) for assistance with award management.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to determine whether internal controls and sound business practices were in place to provide reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting. The scope of our review was limited to activities and business practices during fiscal years FY 2015 and 2016. In order to achieve our objective, we performed the following:

- Reviewed system-wide and local policies, including, but not limited to:

¹ At the time of the review, the office consisted of two fund managers, an administrative assistant, an event person, and an MSO at 50%. CER has received funding and is training an additional fund manager as of FY 2017.

- University of California (UC) Business and Finance Bulletin (BFB) G-28: *Travel Regulation*,
- UC BFB G-29: *Management and Control of University Equipment*,
- UC BFB BUS-43: *Materiel Management*,
- UC BFB A-47: *Direct Costing Procedures*,
- UCSD Policy and Procedure Manual (PPM) 150-10: *Eligibility to Submit Proposals for Extramural Support*,
- UCSD PPM 150-35: *Classification, Acceptance and Administration of Awards from Private Sources*,
- UC Accounting Manual,
 - P-415-10: *Capitalization of Property, Plant, and Equipment*,
 - P-196-13: *Payroll: Attendance, Time Reporting, and Leave Accrual Records*,
 - P-415-32: *Plant Accounting: Fabricated Equipment*,
- UC Personnel Policies for Staff Members (UCPPSM), Sec. 23/Performance Management,
- UC Policy PPSM-2.210: *Absence from Work*,
- UC Policy PPSM-82: *Conflict of Interest*,
- UCOP Contracts and Grants Manual, Chapter 5, *Cost Sharing*,
- Office of Management and Budget (OMB) Circular A-21, and
- OMB's Uniform Administrative Requirements (OMB 2 CFR),
- Reviewed CER's organizational history and financial information;
- Interviewed CER's Management Services Officer (MSO), and Fund Managers;
- Contacted the Office of Post Award Financial Services (OPAFS) and Advancement Services regarding support provided to CER;
- Reviewed departmental policies and procedures for key business processes;
- Reviewed administrative responses to internal control questionnaires;
- Worked with CER administration to develop a separation of duties matrices;
- Completed a cross ORU ratio analysis comparison;
- Reviewed the 2015 Review Committee Report on Center for Energy Research; and
- Performed detailed testing of selected business processes to verify that internal controls were adequate and functioning in compliance with University policy, as summarized in **Attachment A**.

IV. CONCLUSION

Based on our review, we concluded that CERs internal controls were adequate to provide reasonable assurance that operations were effective, performed in compliance with University policy, and resulted in accurate financial reporting. CER has a seasoned business office leadership team that is focused on ensuring that appropriate internal controls are integrated into business processes as the organization grows.

We observed that the administrative staff worked diligently to ensure business processes were as efficient as possible considering their limited staffing. However, we did identify opportunities for improvement regarding effort reporting on federal awards, asset accountability, Express Card administration, transaction sampling, timekeeping practices, and travel/entertainment approvals. These issues are discussed in more detail below.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Effort Reporting on Federal Research Awards
We noted researchers who direct charged 100% of their effort to federal awards.	
Risk Statement/Effect	
Researchers charging 100% of their effort to federal awards incur significant risk of disallowance in the event of a federal audit.	
Management Action Plans	
A.1	CER will work with leadership to determine if core funding is available to mitigate audit risk.

A. Effort on Federal Research Awards – Detailed Discussion

Our review of effort reporting activities observed that seven out of nine individuals had claimed 100% effort on federal awards and as a result, were fully paid from these sources. Claiming 100% effort on federal awards makes no allowance for the time required for organizational support activities or for developing new research proposals. Per OMB A-21, “Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as F&A (Facilities & Administrative) costs and allocated currently to all activities of the institution...”².

On campus, the OMB policy is implemented via ORA’s policy statement effective July 1, 2012 (**Attachment B**). It recognizes that although PIs are frequently asked to participate in committees, and they may spend time developing proposals for future research projects, effort on federal awards should be capped at 97%.

Though the ORA policy mentions “Principle Investigators”, in terms of audit risk it appears applicable to the 88 different title codes designated by the Chancellor as persons automatically eligible to submit proposals. For this discussion, a reference to a PI may mean anyone from a Vice Chancellor to a Research Professor.

The results of our findings is summarized **Table 1** below and organized by effort reporting periods. The table illustrates the total effort claimed on Federal awards, which is the method used to allocate the costs of the researchers time. The seven exceptions are listed in red:

² Per OMB A-21 and §200.460 of the “Uniform Guidance”, effective December 26, 2014, replaced eight OMB Circulars, including A-21, and governs the administration of federal awards at all institutions of higher education, including the University of California.

Table 1

PI	FY2015 1 ST Qtr.	FY2015 2 nd Qtr.	FY2015 2 nd Half ³	FY2016 1 st Half	FY2016 2 nd Half
1.	100%	100%	100%	100%	100%
2.	100%	100%	94%	97%	97%
3.	100%	100%	94%	97%	97%
4.	100%	100%	100%	100%	100%
5.	100%	100%	77%	100%	76%
6.	100%	100%	100%	100%	100%
7.	100%	100%	94%	97%	97%
8.	N/A ⁴	N/A	92%	90%	88%
9.	N/A	N/A	31%	55%	34%

B. Asset Accountability	
During our review, we noted a number of asset management activities that were not conducted in strict accordance with University policy.	
Risk Statement/Effect	
Deficiencies in accounting, inventory, and fabrication activities increase the risk that award resources are inaccurately reported.	
Management Action Plans	
CER will:	
B.1	Consider additional training and enhance review procedures to accurately identify equipment purchases.
B.2	Formalize procedures and complete equipment inventory in compliance with UC policy requirements.

B. Asset Accountability – Detailed Discussion

University policy requires that monthly expenditures be reviewed, and that asset purchases be identified and reported per the award management process. Equipment that is purchased or fabricated, meeting inventorial requirements, is to be capitalized (recorded as an asset at the installed or fabricated cost.) The custodial department and the PI have primary responsibility for the care, maintenance, physical inventory and control of all inventorial equipment.

³ The effort reporting table covers two fiscal years. The time frame covers five effort reporting periods because the certification process had changed during this time from quarterly to bi-annual.

⁴ During field work, this data was reviewed and because it was without exception is was not recorded. Though the three latest periods are available for comparison, the prior period data is no longer available.

Incorrect Accounting Information

The UC Accounting Manual states that free standing equipment with an expected life of more than a year, and an installed costs of more than \$5,000, be classified as inventorial equipment when purchased. In effect, the acquisition cost is capitalized and the asset is tracked in the Campus Asset Management System (CAMS). Accurately capturing equipment expenditures in a timely fashion enables the head of the custodial department and the PI to fulfill their responsibility for the care, maintenance and physical inventory. Using CAMS, the custodial department may provide the necessary technical data required by Equipment Management, Extramural Accounting, and Contracts and Grants Office to meet reporting requirements of awarding agencies.

A review of laboratory expenditures identified two transactions that involved inventorial equipment, each approximately \$11,000, that did not use the appropriate account codes. The first was coded as non-inventorial equipment, and the second as laboratory supplies. Two other instances, where durable equipment costing less than \$5,000 and not subject to inventory, were purchased using an account code that signified laboratory supplies and professional services, respectively. Because the incorrect account codes were used, the transactions were not flagged to obtain the appropriate oversight. As a result, the miscoded transactions impacted compliance with custodial responsibilities and inaccurate reporting to award sponsors.

Inventorial Assets

Per policy, at least every two years each department (custodial entity) must conduct a physical inventory of all capitalized equipment assigned to them. The task is typically completed by a departmental equipment manager who is familiar with the organization, yet has no involvement in purchasing decisions and is not responsible for any equipment. As any control procedure, especially one that is infrequently carried out, the process should be documented in order to ensure consistency. Although Campus Equipment Management may conduct verification activities to test the accuracy of the custodial departments' inventory counts, this does not relieve the department of its internal inventory responsibilities.

During our review, we noted that CER had not completed the required equipment inventories and did not have an internal procedure document to support the activities. CER was under the impression that the periodic work completed by Campus Equipment Management was sufficient to meet the biennial inventory requirement.

Fabrication Administration

UC policy requires that prior to commencing any fabrication, a PI must complete and submit a Fabrication Justification Form⁵ to Campus Equipment Management. Once approved, a fabrication number is assigned, at which time a department administrator opens an index to capture the costs associated with the project. When construction is complete, the fabrication number is closed and the item is assigned a UCSD Identification Number within the CAMS. The costs accumulated in the

⁵ Per BUS-29, V.A.3.a. *Prior to commencing any fabrication, the Principal Investigator shall complete a Fabrication Justification Form (or University location equivalent) and send it to the Equipment Administration for Review and approval.*

fabrication index is capitalized as the cost of the asset. As part of fabrication administration, departments must update Campus Equipment Management annually on the status of each ongoing fabrication.

We reviewed a small sample of active fabrications and observed the following:

- One Fabrication, consisting of approximately \$11,000 in equipment purchases, was completed before a fabrication approval form was drafted.
- Three fabrications were open, but without any activity in the past two fiscal years, becoming overdue with respect to the expected completion dates as per the Fabrication Approval Forms.
- One fabrication was open but also listed as an asset in CAMS with a UCID number.

The organization is responsible for identifying and tracking equipment undergoing fabrication. Progress should be reported periodically to Campus Asset Management, either as it occurs or on a predetermined cycle of not less than once per year.

C.	Express Card Administration
A cardholder served as an administrator of their own Express Card. In addition, a transaction reviewer was in a subordinate position to the cardholder.	
Risk Statement/Effect	
Inadequate separation of duties for Express Card transactions increase the risk of inappropriate expenditures.	
Management Action Plans	
C.1	CER has added the MSO as an Express Card administrator to specifically oversee the existing Express Card administrator's own card, to ensure compliance with policy. In addition, transaction reviewers will not be in a subordinate position.

C. Express Card Administration – Detailed Discussion

UC Policy BUS-43, Part 6, D.1.b, states *“an individual other than the person who placed an order shall periodically perform an administrative review of selected purchase documents to verify that the expenditures listed ... are supported by the required internal documentation.”*

During our review of Express Card Administration, we noted that CER's only Express Card administrator was also a card holder. Although an administrator is not prohibited from having a card, they should not be an administrator of their own card. This is to ensure that the administrator/cardholder is not able to review and sign-off on their own transactions, which was actually observed during the review. It was also noted that a reviewer did exist on the cardholder/administrator's card; however, this person was a subordinate. As a result, neither person would have been able to provide an independent review, and would not have negated the risk of inappropriate expenditures.

While it is not explicitly prohibited for an administrator to have an Express Card, the person should not serve as an administrator of their own card. Merging the cardholder and administrator assignments on the same card permits the cardholder to approve their own transactions, which was observed during our review. The lack of an independent review of a cardholders transactions increases the risk of inappropriate expenditures.

D.	Transaction Sampling
During our review we noted that the Ledger Reviewer’s transaction samples were not completed timely, and that control activities were not marked complete for other periods.	
Risk Statement/Effect	
The timely completion and certification of key control activities is essential to ensure their effectiveness and to demonstrate appropriate management oversight.	
Management Action Plans	
D.1	CER will ensure that all sampled transaction are appropriately reviewed and documented within Ledger Reviewer and Control Tracker, on a timely basis.

D. Transaction Sampling – Detailed Discussion

University policy provides that that all departments complete and certain key control activities and document the completion of activities within Control Tracker⁶. During our review, we noted that the following control processes were not complete:

Ledger Reviewer

On a monthly basis, departments are required to validate transactions posted to the operating ledger to ensure expenditures, liens, and revenues are correct, accurate and reasonable. Departments must also ensure that evidence of this review is adequately documented via Control Tracker. The transaction sampling process includes verifying amounts to supporting documentation, resolving exceptions, and ensuring that corrective actions are taken in a timely manner. CER has adopted Ledger Reviewer to document their validation of financial transactions. The Ledger Reviewer system samples transactions, reducing the administrative burden of reviewing all transactions during reconciliation activities. The characteristics of the sample are attributed to the population to provide assurance that transactions are appropriately processed. Departments should complete the transaction sampling process on a monthly basis, prior to the closing of the following month’s ledger.

We reviewed transaction sampling reports for FY2015 and FY2016 and noted that transaction sampling was not complete for 12 transactions during FY2015. Though the sample remained incomplete during our fieldwork, it has subsequently been reviewed and completed. In order for the transaction sampling

⁶ Control Tracker is a web-based application developed by UCSD to document the performance and certification of control activities within a unit in compliance with Statement on Auditing Standards (SAS) 112/115.

process to be regarded as a valid method of ledger review, all sampled transactions should be reviewed timely on a monthly basis.

Control Tracker

University regulations require that all departments document the completion of their key control activities within Control Tracker. The application allows fund managers to validate that they have completed their assigned reviews. Management then certifies that the key control procedures have been completed.

During our review, it was observed that the key control activities “Ledger Transaction Verification” (Ledger Reviewer sample) remained “Not Started” by one fund manager for the periods of December 2015 and June 2016. Because these tasks were not performed they were not available for the MSO to certify as completed.

E.	Timekeeping Practices
Time keeping practices could be improved to ensure that absences and overtime are appropriately recorded and approved per policy.	
Risk Statement/Effect	
The lack of internal controls for timekeeping may allow unauthorized payroll transactions to be processed and overpayments to be made resulting in a loss of funds.	
Management Action Plans	
E.1	CER will improve internal control procedures for leave and overtime approvals, by establishing a process for documenting requests. CER has transitioned staff who are paid bi-weekly to MyTime for timekeeping processes. Personnel who are paid monthly will also be transitioned to MyTime.

E. Timekeeping Practices – Detailed Discussion

UCSD’s Policy & Procedure Manual (PPM) Section 395-4.1 *Timekeeping: Attendance Records* outlines that *The Departments Approval of Absence or Overtime (DAAO Form)* is used to transmit information from staff employees to the timekeeper, and to certify that the employee’s supervisor is aware of and approves the overtime or absences. Departments may use alternative processes and formats, but should have their internal procedures documented. If pre-approval is not possible, as in case of sickness, it must be completed and submitted to the supervisor immediately after the absence or overtime and forwarded to the timekeeper. As a result, in a given timecard reporting period, an employee may have multiple occasions to request such approval and to have several forms supporting each timecard.

During our review of the manually processed timesheets, we noted that one employee had recorded two days of vacation; however, only one day was recorded as leave in the employees account. In

In addition we also noted one missing timesheet, resulting in the employee's time not being verified. The observations were made after the timesheet batches had undergone a secondary review by another timekeeper. We also noted that CER did not have a consistent process to document supervisory approval of absences or overtime, although some timesheets were noted to have printed e-mails attached explaining workday exceptions. Manually processing timesheets may result in increased opportunities for errors. Using the campus MyTime system would assist in reducing errors such as the ones noted during our review.

F.	Travel and Entertainment Approvals
The expense approval hierarchies allowed transaction approvals by subordinate employees.	
Risk Statement/Effect	
Expense reimbursements approved by employees in a subordinate position may result in excessive, personal or fraudulent reimbursements.	
Management Action Plan	
F.1	The Director's travel and entertainment expenditures are now reviewed by the VCR's office.

F. Travel and Entertainment Approvals – Detailed Discussion

University policy provides that reimbursement for expenditures should be reviewed and approved by an individual who does not directly or indirectly report to the person incurring (claiming) the expenditure.

The travel and entertainment expenditures we reviewed noted that Director's activities were approved by CER staff. While it is acceptable for CER staff to prepare documentation in support of the Director's activities, policy prohibits them from approving the expenditures the same way a fund manager may approve a PI's activities. Placing a subordinate in a position to approve a superior's transactions increases the potential for inappropriate reimbursements.

During our review, CER administration had independently made the decision to route the Director's travel and entertainment expenditures to the office of ORA.

Center for Energy Research
Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project #2017-09

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Asset Management – Equipment		√	√	N/A	No	Improvement Needed	CER should formalize inventory procedures and perform them per BUS-29.
Asset Management – Fabrications	√	√		Seven fabrications were reviewed for authorization and activity.	No	Improvement Needed	CER should formalize fabrication administration procedures and report on projects in progress.
Cash and Recharge		√		N/A	N/A	N/A	CER had no cash accounts or recharge activity.

¹ Scale: Satisfactory – Improvement Suggested – Improvement Needed - Unsatisfactory

**Center for Energy Research
Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project #2017-09**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Contract & Grant Activity (Pre-Award)		√	√	Reviewed nine hap hazard selected proposals for PI compliance with PPM 150-10.	Yes	Satisfactory	Awards reviewed appeared to have been submitted in compliance with local policies.
Contract & Grant Activity (Post-Award)	√	√		Reviewed seven awards that ended for unusual expenditures during last six months of their term.	Yes	Satisfactory	Controls over federal contract and grant activity appear adequate.
Effort	√	√	√	Reviewed outstanding effort reports, and nine PIs effort on federal awards.	No	Improvement Needed	PIs effort had exceeded the maximum threshold on federal awards.
Entertainment	√	√		Reviewed a sample of select transactions for reasonableness and compliance with policy.	Yes	Satisfactory	The Director's expenditures are now reviewed by VCR office.

¹ Scale: Satisfactory – Improvement Suggested – Improvement Needed - Unsatisfactory

Center for Energy Research
Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project #2017-09

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Express Cards	√	√	√	Reviewed a sample of transactions for supporting documentation, and oversight conflicts.	No	Improvement Needed	One cardholder is also listed as administrator on the same card, and the reviewer is a subordinate.
Information Systems Environment		√		N/A	N/A	N/A	VCR provides Information Systems support for CER, and was outside the scope of this review.
Key Controls - Operating Ledger & Transaction Sampling Review		√	√	Reviewed Control Tracker module and Transaction Testing for completeness.	No	Improvement Needed	Ledger Reviewer's transaction samples, were not completed timely and control activities were not marked complete for two months within scope.
Purchases – Transaction Processing -	√	√		Selected eight purchase transactions over \$2,500, and	No	Improvement Needed	Two transactions were identified where inventorial equipment was expensed, and an additional two transactions where non-inventorial equipment was

¹ Scale: Satisfactory – Improvement Suggested – Improvement Needed - Unsatisfactory

**Center for Energy Research
Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project #2017-09**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Non-Payroll Expenditures				reviewed supporting documentation.			purchased using the wrong account codes.
Timekeeping & Payroll		√	√	For each timekeeper, reviewed monthly and bi-weekly timesheets, absence slips, and summaries.	Yes	Improvement Needed	Leave and overtime approvals were appropriately administered or documented.
Transaction Processing - Non-Payroll Expenditures	√	√	√	Reviewed supporting documents for a sample of awards that ended within FY2015-16.	Yes	Satisfactory	Controls were satisfactory.
Travel	√	√	√	Reviewed 10 trips totaling \$26,733; traced to vouchers (TEV's) & supporting documents.	Yes	Satisfactory	Controls should be satisfactory given Director's travel is now being reviewed by staff outside of CER.

¹ Scale: Satisfactory – Improvement Suggested – Improvement Needed - Unsatisfactory

Center for Energy Research
2017-09
Attachment B

POLICY STATEMENT ON PERCENT SALARY FOR PRINCIPAL INVESTIGATORS PAID EXCLUSIVELY FROM FEDERAL AWARDS

Effective July 1, 2012, Principal Investigators may receive no more than 97% of their salary from federal awards, including federal flow through-funding. This Policy applies to all Principal Investigators whose salary is derived entirely from federal awards. This Policy does not apply to Principal Investigators who receive partial funding from other sources (e.g. State of California, industry, non-profits).

As a result of a review by cognizant federal agencies, the University must ensure that activities that are considered part of a Principal Investigator's institutional responsibilities and that do not directly benefit a Federal award are ineligible for direct support from federal extramural awards.

Academic Research appointees, in series such as Research Scientist, Adjunct Professor and Professor In-Residence; and series such as Project Scientists who are Principal Investigators by exception, shall not charge as part of their institutional base salary for 100% extramurally sponsored research, non-award related activities such as public service, non grant-related administrative duties, grant-writing, peer-review of papers and proposals, etc. during the period of the award. Discretionary fund sources such as core university funds may be used to supplement up to 100% of salary. Non-federal awards may be charged only when there is a corresponding direct benefit to the project for the salary charged.

Business Officers, in conjunction with their respective Deans and/or Chairs, should establish practices that average all activities of the academic research appointees on federally sponsored activities on an annual basis as a means to comply with this policy.

UC San Diego
Office of Research Affairs
July 1, 2012