

UC **SANTA BARBARA**
Audit & Advisory Services

Audit Memorandum

Effort Report Certification

October 29, 2021

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Report No. 08-21-0016

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October 29, 2021

To: Jim Corkill, Associate Vice Chancellor and Controller
Business & Financial Services

Distribution

From: Ashley Andersen, Audit Director
Antonio Mañas-Melendez, Associate Director

Re: **Effort Report Certification**
Audit No. 08-21-0016

PURPOSE

As part of the 2020-21 annual audit services plan, Audit and Advisory Services has completed a review of effort report certification. The primary purpose of this audit was to document and evaluate the campus effort reporting processes and internal controls.

SCOPE AND METHODOLOGY

The scope of our review was limited to a walkthrough of the effort report certification process through interviewing departments and the central office on controls implemented to guarantee accurate reporting.

This review excluded any testing of the certifications submitted, nor did it include any testing of the systems used to support the data.

Specifically, we:

- Reviewed federal requirements for Effort Reporting and defined a framework based on the requirement.
- Documented and evaluated existing controls and processes by interviewing a sample of departments and the central office.

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

OBSERVATION

We noted that Uniform Guidance¹ does not require the campus to change the compensation process if the defined requirements of OMB Circular A-21 are met. The Uniform Guidance requires “*that payroll distribution records must be based on records that accurately reflect the work performed.*” Grantees can fulfill this requirement with either their current Effort Reporting System (ERS) if it meets the former OMB Circular A-21 requirements, or with a suitable means or process supported by a system of internal controls.

It further indicates that when budget estimates are used as support for charges to federal awards, the internal control system for organizations using this approach must include documented processes for an after-the-fact review² to ensure that the final amount charged is accurate, allowable, and properly allocated. At UCSB, the expected efforts on an award are budgeted and established in a systemwide payroll system before services are performed.

To comply with the requirement, the campus utilizes a University of California (UC) systemwide ERS to perform the after-the-fact review of compensation charges. However, with the implementation of a new UC systemwide payroll system, UCPATH, ERS has not been fully operational due to technical issues with UCPATH data. This has caused a delay in the ability of principal investigators to officially certify the after-the-fact compensation charges to awards. At the time of the audit, UC campuses have been working with the Contracts & Grants Advisory Committee and UCPATH support to resolve this issue. The campus has been able to release two periods covering efforts between September 2018 to May 2019, and is anticipating the release of the final periods to stay current.

We noted that the use of an alternative method to review after-the-fact compensation would require additional evaluations to determine whether it would be cost effective to confirm that charges are accurate, allowable, and properly calculated.

CONCLUSION

Our work found that the campus fulfills the Uniform Guidance¹ through the systemwide ERS process. As mentioned, with the implementation of a systemwide payroll system, UCPATH, the ERS has not been fully operational due to technical issues in UCPATH data. This has caused a delay in the ability of Principal Investigators to officially certify the after-the-fact² compensation charges to awards.

As a response to this issue, the Contracts & Grants Advisory Committee was established to determine Contract & Grants / Effort Reporting changes and direction, driven by policy and business needs. This committee is comprised of a wide range of individuals across the UC System representing the controllers, costing policy directors, academic personnel, medical centers, and extramural fund managers.

¹ The Uniform Guidance minimum standard for documentation indicates that the documentation of time and effort must comply with specific requirements.

² After-the-fact - refers to a review of interim charges to an award to ensure that the final amount charged is accurate, allowable, and properly allocated.

The defined short-term strategy for the committee is to have UCPATH implement several fixes to allow UC campuses to get current with their ERS releases while the long-term plan is to explore compliance requirement solutions outside of ERS using UCPATH payroll data.

Based on the informed strategies, we highlight a need for the campus to:

- Continue evaluating compliance requirement solutions to the Uniform Guidance.
- Work towards releasing the final periods in the ERS system to stay current with the requirements.

RECOMMENDATION

To ensure the campus complies with compensation requirements set forth in the Uniform Guidance, we recommend Business and Financial Services:

- In consultation with the Contracts & Grants Advisory Committee, evaluate a plan to replace ERS for a new compensation process that meets Uniform Guidance.
- In the interim, work towards the ERS releases of the final periods to stay current with effort reporting requirements.
- Evaluate whether effort reporting guidelines reflect current systems and practices. Extramural Fund Accounting should provide some additional guidance to departments and PIs.

MANAGEMENT RESPONSE

Business and Financial Services will:

- In consultation with the Contracts & Grants Advisory Committee, evaluate a plan to replace ERS for a new compensation process that meets Uniform Guidance.
- In the interim, work towards the ERS releases of the final periods to stay current with effort reporting requirements.
- Evaluate whether effort reporting guidelines reflect current systems and practices. Extramural Fund Accounting should provide some additional guidance to departments and PIs.

Audit and Advisory Services will follow up on the status of these issues by January 7, 2022.

We sincerely appreciate the cooperation and assistance provided by Business and Financial Services, Chemical Engineering, Neuroscience Research Institute, National Center for Ecological Analysis and Synthesis, Computer Science, and Chemistry Department personnel during the review. If you have any questions, please contact me.

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Respectfully submitted,



Ashley Andersen
Audit Director
Audit and Advisory Services

Enclosure

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