

November 30, 2016

MARK COOPER  
Director  
Office of Post Award Financial Services  
0954

**Subject:        *Effort Reporting  
                     Report 2016-01***

The final report for Effort Reporting 2016-01, 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  
Audit & Management Advisory Services

Attachment

cc:     Sandra Brown  
       Judy Bruner  
       Linda Collins  
       Marianne Generales  
       John Lohse  
       Duyen Nguyen  
       Pierre Ouillet  
       Cheryl Ross  
       Donna Smith

# UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Effort Reporting  
Report No. 2016-01  
November 2016

**FINAL REPORT**

**Performed By:**

Christine Taylor, Auditor  
Gabor Herman, Auditor  
Jennifer McDonald, Manager

**Approved By:**

David Meier, Director

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## I. EXECUTIVE SUMMARY

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Audit & Management Advisory Services (AMAS) has completed a review of Effort Reporting and the associated oversight provided by Office of Post Award Financial Services (OPAFS) as part of the approved audit plan for Fiscal Year 2015-16. The objective of our review was to evaluate Campus-wide practices for timely and accurate completion of effort reports.

We concluded that key internal controls and effort reporting oversight needs improvement to ensure accuracy and timeliness of effort reports. Effort reports that are not certified accurately and timely place the University at risk for potential disallowances as a result of a federal audit.

We noted that separated PIs and/or fund managers, were referenced on effort reports which were created after their separation dates. We also noted that PIs had exceeded the 97% threshold. Additionally, a review of certified effort reports found a number of non-academics certifying for PIs. The Management Action Plan to address these findings is summarized below:

### Management Action Plan

#### A. Separated Employees Referenced in ECERT

OPAFS has implemented a process to identify separated employees prior to the effort report certification deadline, and will notify those departments who have not updated their Chart of Accounts (COA). In addition, OPAFS will ensure that effort certification occurs prior to a PI leaving the institution.

#### B. PIs Exceeding Effort on Federal Research Awards

As part of the oversight and monitoring function, OPAFS will implement procedures to monitor total Federal effort expended by PIs, at the 94% threshold as a preventative control. In addition, OPAFS Control and Accountability unit will follow up with fund managers on a regular basis to address both the 94% and 97% thresholds.

#### C. Inappropriate Certifications

OPAFS has implemented a monitoring process to identify instances of inappropriate certifiers.

Observations and related management corrective actions are described in greater detail in section V. of this report.

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## II. BACKGROUND

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Audit & Management Advisory Services (AMAS) has completed a review of Effort Reporting and the associated oversight provided by Office of Post Award Financial Services (OPAFS) as part of the approved audit plan for Fiscal Year 2015-16. This report summarizes the results of our review.

Effort reporting is the process used to validate that payroll expenses charged to Federal sponsored projects are accurate, timely, and reflect the actual level of work performed. Effort is the portion of time spent on a particular activity, expressed as a percentage of the individual's total appointment (or institutional effort). Effort Reporting must be completed and certified on a regular basis in accordance with the terms stated in Office of Management and Budget (OMB) Uniform Guidance and the University of California, Office of the President (UCOP), Contract and Grant Manual, Chapter 7-330. Failure to meet these requirements puts the University at risk for audit disallowances which may result in significant financial penalties.

The Electronic Certification of Effort Reporting Tool (ECERT) was developed in 2008 and is the local version of the Effort Reporting system (ERS), an application hosted by Information Resources & Communications department at the UCOP. The process for using ECERT is under the responsibility of OPAFS, a division of Business and Financial Services, who provides support to departments and researchers regarding timely and accurate effort certifications. OPAFS has dedicated one person to manage the ECERT process, work with departments to promote compliance, and provide training and outreach sessions. Other personnel, including the director and assistant director, also participate in these activities.

The ECERT system users are comprised of three primary roles, all of which are associated with campus departments and outside of OPAFS purview: Department Security Administrators (DSAs) who associate the departments' staff with predefined roles; Preparers who are typically departmental fund managers; and Certifiers who are PIs, academics, scientists or lab managers. UC policy requires PIs and other faculty in Professorial, Professional Research, and Management titles certify their own effort as they are in the best position to understand how their time is spent in the conduct of the various activities in which they are engaged. The effort of staff employees must be certified by "...the employee, PI, or responsible official with suitable means of verification that the work was performed."

The University must ensure that activities that are considered part of a PIs institutional responsibility, and that do not directly benefit a Federal award, are ineligible for direct support from Federal extramural awards. As a result, UCSD has adopted a local Office of Research Affairs policy statement that restricts PIs from receiving no more than 97% of their salary from federal awards, including federal flow through funding (**Attachment A**). This policy does not apply to PIs who receive partial funding from other sources (e.g. State, industry, non-profits).

In the Fall of 2014, OPAFS organized a Cost Transfer & ECERT Focus Group of key stakeholders<sup>1</sup> where it was decided that effective January 2015, the campus wide effort reporting period would change from

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<sup>1</sup> 17 Representatives from the Vice Chancellor areas of Academic Affairs, Health Sciences, Student Affairs, as well as Organized Research Units who are responsible for the largest numbers of effort reports.

quarterly to biannual. As a result of this change, it was understood that the new schedule would have a positive impact on the reporting process in that effort reports would more accurately reflect actual effort at time of the report creation due to departments having more time to resolve issues related to employee turnover, payroll cost transfers, reduce labor, etc.

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### III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our review was to evaluate Campus-wide practices for timely and accurate completion of effort reports. In order to achieve our objective, we performed the following:

- Reviewed University effort reporting related policies and procedures from:
  - Contract & Grant Manual Chapter 7,
  - The UC Accounting Manual policy P-196-13,
  - UC Operating Guidance Memo 00-09 on Principles Governing Payroll Charges to Extramural Funds,
  - Office of Research Affairs Policy Statement on Percent Salary for Principal Investigators Paid Exclusively from Federal Awards,
  - UCSD Policy and Procedure Manual 150-66, and
  - BLINK guidance;
- Reviewed Office of Management and Budget (OMB) Uniform Guidance (UG) Section G. Matching, Level of Effort, Earmarking;
- Interviewed the OPAFS staff including ECERT Coordinator, and Assistant Director;
- Evaluated FinancialLink Queries for separated PIs and Fund Managers within the last three biannual reporting periods;
- Interviewed departmental personnel involved in the certification process to determine their knowledge of effort reporting, the quality of training received, and their awareness of the 97% rule:
  - Sponsored Project Office (SPO) Director, Pediatrics
  - Management Service Officer (MSO), Anthropology
  - SPO Director, Medicine
  - Financial Manager, Structural Engineering and Anthropology;
- Compared a list of overdue effort reports to separated PIs and Fund Managers;
- Compared employee separation dates to the close of effort reporting periods and creation of effort reports;
- Tested on a sample basis the PIs effort reports regarding compliance with effort on Federal Awards;
- Reviewed and tested effort reporting simple queries designed to assist managers and departments with respect to effort reporting; and
- Reviewed the occurrence of non-academic certifiers on academics' efforts reports.

## IV. CONCLUSION

Based on our review, we concluded that key internal controls and effort reporting oversight needs improvement to ensure accuracy and timeliness of effort reports. Effort reports that are not certified accurately and timely place the University at risk for potential disallowances as a result of a federal audit. The areas we noted for improvement are described in the balance of this report.

## V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

<b>A.</b>	<b>Separated Employees Referenced in ECERT</b>
Separated PIs and/or fund managers, were referenced on effort reports which were created after their separation dates.	
<b>Risk Statement/Effect</b>	
Effort reports that list personnel no longer employed create potential inaccuracies and delays in certification, placing the University at risk for potential disallowances during a federal audit.	
<b>Management Action Plan</b>	
A.1	OPAFS has implemented a process to identify separated employees prior to the effort report certification deadline, and will notify those departments who have not updated their Chart of Accounts (COA). In addition, OPAFS will ensure that effort certification occurs prior to a PI leaving the institution.

### A. Separated Employees Referenced in ECERT – Detailed Discussion

During our review of the current open effort reporting period, we noted 18 PIs and 97 fund managers had separated from the University prior to the creation of the reports. Five of those fund managers had separated between 90 to 528 days before the first version of ECERTs was generated. Data on separated employees is available to OPAFS via QueryLink, the campus business support system.

Departments are in the best position to know which staff are separating from the University. As part of the separation checklist, they are required to update the COA Override Maintenance in the Integrated Financial Information System (IFIS). The ECERT system references IFIS data, including the PIs and fund managers associated with each award in the creation of effort reports. At present, COA Override updates are uploaded to ECERT on a weekly basis. This feature provides departments sufficient time to make the appropriate changes prior to the effort report due date.

OPAFS has the ability to run a query to identify separated employees who have open, overdue effort reports and notify those departments for appropriate updates. Evaluation of the data, and corrections to erroneous data, would reduce the time spent to resolve effort reports which reference separated employees. The objective should be to ensure that effort is certified for employees that have

separated prior to the certification deadline.

<b>B.</b>	<b>PIs Exceeding Effort on Federal Research Awards</b>
PIs whose salary was derived entirely from federal awards exceeded the Office of Research Affairs Policy Statement which caps effort at 97%.	
<b>Risk Statement/Effect</b>	
PIs who exceed the regulated thresholds on Federal awards increase the risk of noncompliance with policy and the potential exposure from Federal audits.	
<b>Management Action Plan</b>	
B.1	As parts of oversight and monitoring function, OPAFS will implement procedures to monitor total Federal effort expended by PIs, at the 94% threshold as a preventative control. In addition, OPAFS Control and Accountability unit will follow up with fund managers on a regular basis to address both the 94% and 97% thresholds.

#### **B. PIs Exceeding Effort on Federal Research Awards – Detailed Discussion**

Effective July 1, 2012, PIs may receive no more than 97% of their salary from federal awards, including federal flow through-funding (**Attachment A**). This policy statement applies to all PIs whose salary is derived entirely from federal awards. Even though Departments are responsible for complying with the 97% rule, OPAFS is in the best position to provide oversight and monitoring of these practices to ensure compliance.

During our review, we randomly selected a sample of 37 PIs from the last three biannual reporting periods, and observed that six PIs had exceeded the 97% threshold.

<b>C.</b>	<b>Inappropriate Certifications</b>
A review of certified effort reports found a number of non-academics who certified for PIs.	
<b>Risk Statement/Effect</b>	
Personnel that certify effort reports without firsthand knowledge of the work performed, places the University at risk for potential disallowances during a federal audit.	
<b>Management Action Plan</b>	
C.1	OPAFS has implemented a monitoring process to identify instances of inappropriate certifiers.

#### **C. Inappropriate Effort Report Certifiers – Detailed Discussion**



Policy requires only a responsible person with firsthand knowledge of the work performed on the research project be permitted to certify effort. Typically, these positions are academic, but they can also be laboratory managers, scientist or other experts with relevant knowledge.

During our review, we noted 11 effort reports that were certified by three different people who were deemed not to have academic standing. The individuals had job descriptions which would not allow certification authority.

DSAs coordinate with Information Technology Services (IT) to approve and maintain all access to UCSD campus systems for individuals within their departments or units. In the ECERT Training Guide for DSAs, there is a table listing the predefined roles in ECERT, associated permissions, and a listing of who is typically assigned the roles. For example, the role of self-certifier is typically reserved for PIs and Researchers. Fund managers and other administrative office staff have coordinator access and may generate compliance reports. The training guide does not appear to contain information regarding what roles are prohibited. In addition, the assignment of administrative staff to a certifier role is not specifically prohibited.

**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