



UCSB Audit and Advisory Services

Internal Audit Report

**National Center for Ecological Analysis and Synthesis
(NCEAS)**

February 17, 2017

Performed by:

Laurie Liao, Staff Auditor

Irene Camargo, Staff Auditor

Approved by:

Jessie Masek, Acting Director

Report No. 08-17-0005

This page intentionally left blank.



AUDIT AND ADVISORY SERVICES
SANTA BARBARA, CALIFORNIA 93106-5140
Tel: (805) 893-2829
Fax: (805) 893-5423

February 17, 2017

To: Ben Halpern, Director
Julia Niessen, Business Officer
National Center for Ecological Analysis and Synthesis

Re: **National Center for Ecological Analysis and Synthesis (NCEAS)**
Audit Report No. 08-17-0005

As part of the 2016-17 annual audit services plan, Audit and Advisory Services has completed an audit of the National Center for Ecological Analysis and Synthesis (NCEAS). Enclosed is the report detailing the results of our work.

The purpose of this project was to determine whether NCEAS sponsored projects administration and select business processes are consistent with University of California and UCSB policies and procedures. The scope of our audit included a review of sponsored projects and select NCEAS business practices, such as conflict of interest disclosures, travel reimbursement, procurement practices, and other related areas during fiscal year 2015-16.

Based on the results of the work performed, we found that NCEAS has established overall effective internal controls related to sponsored projects administration and costs charged to awards consistent with key federal requirements and University policies. However, our review did identify opportunities to formalize agreements, enhance travel documentation, and improve effort reporting procedures.

Detailed observations and management corrective actions are included in the following sections of the report. The management corrective actions provided indicate that each audit observation was given thoughtful consideration, and positive measures have been taken or planned in order to implement the management corrective actions.

We greatly appreciated the assistance on this project provided by NCEAS personnel. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jessie Masek".

Jessie Masek
Acting Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
Vice Chancellor Administrative Services Marc Fisher
Interim Vice Chancellor for Research Joe Incandela
Assistant Vice Chancellor for Research Karen Hanson
UCSB Audit Committee
Senior Vice President and Chief Compliance and Audit Officer John Lohse

PURPOSE

The purpose of this project was to determine whether National Center for Ecological Analysis and Synthesis (NCEAS) sponsored projects administration and select business practices are consistent with University of California (UC) and University of California, Santa Barbara (UCSB) policies and procedures. This audit is part of the fiscal year 2016-17 audit services plan of the University of California, Santa Barbara.

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of our audit included a review of sponsored projects and select NCEAS business practices, such as conflict of interest disclosures, travel reimbursement, procurement practices, and other related areas during fiscal year 2015-16.

Our main objectives included determining whether:

- Travel reimbursement practices follow UC travel policies.
- Sponsored projects administration practices are consistent with federal requirements and University policies.

To accomplish our objectives, we:

- Researched and reviewed relevant UCSB audits and reports from other institutions of higher education related to sponsored projects administration.
- Researched and reviewed UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. See Table 1 for summary of policies. Key guidance includes:
 - 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
 - UC Business and Finance Bulletin G-28, *Travel Regulations* (UC Policy G-28).
 - UC Business and Finance Bulletin BUS-43, *Material Management* (UC Policy BUS-43).
 - UC Business and Finance Bulletin BUS-49, *Policy for Cash and Cash Equivalents Received* (UC Policy BUS-49).
- Gained an understanding of NCEAS operations through interviews with key personnel and review of the department's business processes and internal controls.
- Performed a risk analysis that considered sponsored projects direct costing procedures and conflict of interest compliance, travel procedures, and select department business processes.
- Tested a sample of transactions to determine whether sponsored projects administration practices were in compliance with award terms, federal requirements, and University policies and procedures in the areas of direct costs, effort reporting, cost transfers, and cost adjustments.

- Reviewed conflict of interest disclosure submissions for selected awards to ensure compliance with applicable federal, state, and policy requirements as appropriate, and relevant campus processes.
- Tested a sample of travel expense reimbursements and performed a detailed review of documentation for compliance with UCSB and UC travel policies.
- Evaluated procurement practices to determine compliance with University policies and procedures. We also identified that there were not any purchases over the bid threshold. In addition, we reviewed whether purchases used strategically sourced vendors, as appropriate.
- Reviewed department inventory tracking procedures, annual inventory and disposition practices.

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

BACKGROUND¹

National Center for Ecological Analysis and Synthesis (NCEAS)

Established in 1995, the National Center for Ecological Analysis and Synthesis (NCEAS) is a research center of the University of California, Santa Barbara and was the first national synthesis center of its kind. NCEAS fosters collaborative synthesis research – assembling interdisciplinary teams to distill existing data, ideas, theories, or methods drawn from many sources, across multiple fields of inquiry, to accelerate the generation of new scientific knowledge at a broad scale.

NCEAS has hosted more than 6,000 scientists to date, created innovative new informatic approaches to support data synthesis, and helped build the capacity of the scientific community by providing a range of training opportunities for scientists throughout their careers.

NCEAS has been using a local travel agency to facilitate all domestic flights for travelers. When booking travelers, this agency follows department direction, which includes reserving the most economical fare and other requirements.

Funding for NCEAS programs come from a variety of sources including the University of California, Santa Barbara, the National Science Foundation, private foundations, non-government organizations, and other collaborators.

SUMMARY OPINION

Based on the results of the work performed, we found that NCEAS has established overall effective internal controls related to sponsored projects administration and costs charged to awards consistent with key federal requirements and University policies. However, our review did identify opportunities to formalize agreements, enhance travel documentation, and improve effort reporting procedures.

Audit observations and management corrective actions are detailed in the remainder of the audit report.

¹ Source: NCEAS website.

UCSB Audit and Advisory Services
National Center for Ecological Analysis and Synthesis (NCEAS)

Table 1		Relevant Policies
Policy	Summary	
2 CFR 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)	Published in the Federal Register (79 Fed. Reg. 75871) on December 19, 2014, this policy became effective for new and continuation awards issued on or after December 26, 2014. The new Uniform Guidance streamlines and consolidates government requirements for receiving and using federal awards.	
UC Contracts and Grants Manual	Provides guidance on policies for the solicitation, acceptance or execution, and administration of contracts and awards from extramural sponsors.	
UC G-28, <i>Travel Regulations</i> (G-28)	Includes special policy and regulations to comply with IRS regulations regarding the provision and reimbursement of business-related travel.	
UC BFB-BUS-29, <i>Management and Control of University Equipment</i> (BUS-29)	Establishes requirements for management and control of property owned by or in custody of the University.	
UC BFB-BUS-38, <i>Disposition of Excess Property and Transfer of University-Owned Property</i> (BUS-38)	Addresses general requirements to ensure the proper protection of, accounting for, and disposition of University-owned excess property.	
UC BFB-BUS-43, <i>Materiel Management</i> (BUS-43)	Governs University procurement procedures and establishes bid thresholds and selection criteria.	
UC BFB-A-47, <i>Direct Costing Procedures</i> (A-47)	Provides guidelines for direct costing to improve uniformity and consistency in the recording of direct costs throughout the University.	
UC BFB-BUS-49, <i>Policy for Cash and Cash Equivalents Received</i> (BUS-49)	Establishes the University's policies related to handling and processing cash and cash equivalents, and defines roles and responsibilities related to receipt, safeguarding, reporting and recordkeeping for all University cash and cash equivalents.	
UC BUS-79, <i>Expenditures for Business Meetings, Entertainment, and Other Occasions</i> (BUS-79)	Establishes alcoholic beverages that only a limited number of funding sources permit the purchase of alcoholic beverages. Expenses for alcoholic beverages may not be charged to state or federal funds.	
Research Circular D.5, <i>Disclosure of Financial Interests Related to Acceptance of Private Funds for Research to Promote Objectivity in Research</i>	Defines financial interest and explains the disclosure and review of financial interest in non-governmental sponsors for Principal Investigators.	
Research Circular D.1, <i>Disclosure of Financial Interests Related to Public Health Service Sponsored Projects for Promoting Objectivity in Research</i>	Designed to promote objectivity by establishing standards that provide a reasonable expectation that the design, conduct and reporting of Public Health Service (PHS) funded research will be free from bias resulting from any Investor's Financial Conflicts of Interests (FCOI).	
Research Circular D.3, <i>Disclosure of Financial Interests Related to National Science Foundation Sponsored Projects for Promoting Objectivity in Research</i>	Supplements the State of California requirements for disclosure of financial interest.	
UC Accounting Manual, <i>Payroll: Attendance, Time Keeping, and Leave Accrual Records</i> (UC AM P196-13)	Establishes timeliness of certification of effort reporting within 120 days of the end of the reporting period.	

Source: UC Policies

DETAILED OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Travel Expense Reimbursement

Our review of travel reimbursement activity found that department procedures for travel have a properly documented business purpose and reasonable charges for transportation, meals, and lodging. However, we determined that procedures do not consistently comply in the area regarding substantiation of expenses and timely submittal to Business and Financial Services. See Table 2 for a summary of our audit findings.

1. Transportation, Meals & Incidentals: Our work in this area identified that while department procedures require receipts for substantiation, this is not consistently enforced depending on the nature of the expenses. Although the current processes appear to be in compliance with UC policy, the current way of administering the allowances could be viewed as a way of circumventing documentation (receipt) requirements. Our detailed findings are as follows:

- NCEAS does not have a documented agreement with a local travel agency that establishes rates and requirements. Due to the large volume of travelers, there is a need to ensure this agreement is documented so that both parties understand established terms and conditions.
- One travel expense voucher claimed an alcoholic beverage on a federal award, which is not allowed according to UC Policy BUS-79 and the Uniform Guidance. Based on review of department procedures and discussions with management, we determined this to be an oversight and actions are being taken to correct this.
- There were two instances where airfare was not substantiated with a receipt, which is required by UC Policy G-28. For one traveler, a bank statement was provided as substantiation. For the other traveler, airfare was directly charged to a local travel agency, and the invoice was not included as part of the documentation.
- Two travelers upgraded their flights without documentation of the circumstances. We also found an instance where seating class was not documented, which we had to request separately. UC Policy G-28 requires travelers to book in the interest of economy, unless there are certain circumstances, such as a medical condition. After follow-up with department management, we determined that the circumstances for the two upgrades were appropriate.
- Two travel expense vouchers did not include documentation of the route taken to substantiate mileage as part of the original reimbursement packet. We independently reviewed the distance between the origin and destination claimed and determined the mileage submitted to be appropriate. Substantiation of the route taken is required by UC Policy G-28.
- Three travel expense vouchers did not include complete receipts for substantiation of meals. We also found two instances where local transportation was not supported with receipts. While these expense amounts may fall under the daily maximum reimbursement cap in UC Policy G-28, there is a risk travelers may treat the cap as a per diem by routinely claiming expenses without receipts.

2. Reporting Period: We found five travel expense vouchers submitted after 45 days of the traveler's return; ranging from 69-170 days. While UC Policy G-28 and department procedures require timely submission for reimbursement, this is not being consistently enforced. There is a risk that accepting past-due travel reimbursements may adversely affect financial reporting. This may also put the department budget at risk if the reimbursement request is submitted after the sponsored award period has ended.

Table 2		Travel Reimbursement	
Criteria		Compliant	
Travel purpose was clear and appropriately approved.		✓	
Required transportation substantiation included.		P	
Receipts for meals were included and appropriately claimed.		P	
Receipts for lodging were included and reasonable.		✓	
Advance cleared with Travel Expense Voucher		P	
Reporting period was within 45 days from the end of trip.		P	

Source: Auditor analysis
 ✓ = criteria met
 ✗ = criteria not met
 P = criteria partially satisfied

We recommend that NCEAS:

- Consult with Procurement Services regarding the documentation of a purchase order, contract, or other formal agreement with the local travel agency to ensure compliance with UC policies.
- Enhance department travel process practices, including formalizing procedures and strengthening support documentation to be more consistent.
- Provide periodic reminders to appropriate travelers and all personnel regarding travel policy requirements or changes to policy, especially in regards to timely submissions.

Management Corrective Actions

NCEAS will:

- Consult with Procurement Services regarding the documentation of a purchase order, contract, or other formal agreement with the local travel agency to ensure compliance with UC policies.
- Review best practices and campus policy and procedures to enhance department travel processes, including formalizing procedures and strengthening support documentation to be more consistent.
- Send periodic reminders to appropriate travelers and all personnel regarding travel policy reimbursement requirements or changes to policy, especially in regards to timely submissions.

Audit and Advisory Services will follow up on the status of this management action plan by June 30, 2017.

B. Sponsored Awards

We found that sponsored project costs were overall allowable, allocable, and reasonable for respective awards, and conflict of interest disclosures were submitted in accordance with University, state, and federal policies. See Table 3 for a summary of our audit findings.

However, we identified an isolated incident which prevented timely submission and certification in the Effort Reporting System². At the time of the audit, a request for correction was submitted to the Extramural Funds Accounting unit within Business & Financial Services, but the adjustment was not yet corrected. After discussion with both Extramural Funds Accounting and NCEAS, corrective actions are in process.

We recommend that NCEAS enhance department effort reporting practices to formalize procedures and ensure compliance with UC policy and procedures.

Management Corrective Actions

NCEAS will review best practices and campus policy and procedures to improve department effort reporting practices, including formalizing procedures.

Audit and Advisory Services will follow up on the status of this management action plan by June 30, 2017.

Table 3	Sponsored Awards	
	Criteria	Compliant
Project Costs	Allocable	✓
	Reasonable	✓
	Properly Supported	P
	Allowable	P
Effort Reporting	Submitted Timely	P
	Certified Appropriately	P
	Calculations	✓

Source: Auditor analysis
 ✓ = criteria met
 x = criteria not met
 P = criteria partially satisfied; isolated incident

² UC Systemwide Effort Reporting System.