Audit Follow-up:
Cost Transfers

February 2016  FY16 - #03

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Issued by:  Sara J. Click, CPA, Chief Auditor
            Internal Audit Department
Audit Follow-up: Cost Transfers

Summary

Follow-up on prior audits was included in our Fiscal Year (“FY”) 2016 Audit Plan. The professional standards for internal auditing require auditors to follow-up on any recommendations included in prior audit reports.

Background: Internal Audit completed audit report, FY13 - #11, that evaluated cost transfers related to federal grant accounts. The audit was included in our approved FY 2013 Audit Plan. The audit report included management responses (“Action Plan”) to our recommendations and target implementations dates from Sponsored Projects Services (“SPS”).

The audit report contained two findings. The first finding was related to the lack of automated reporting for cost transfer activity for federal grants. The second finding was related to unclear internal policy guidance for cost transfers.

Audit Objective: To evaluate whether the open Action Plan items from the November 2013 Action Plan were implemented and are functioning as intended.

Methodology: We accomplished our objective by providing Sponsored Projects Services with the Departmental Action Plan Status Form, which includes the action plan items from the audit report. We reviewed the responses provided regarding the status of the action plan items and the supporting documentation.

Conclusion: We found that SPS requested the system modifications to UAccess Financials and UAccess Analytics according to the action plan timeline. However, due to system limitations, UITS was unable to make all of the modifications necessary to automate the calculation of elapsed time for Cost Transfers for both salary cost transfers (“ST”) and general error correction cost transfers (“GEC”). The system modification was completed for ST cost transfers, which comprise the majority of cost transfers (approximately 80%). The modification to automate the monitoring of GEC cost transfers was unable to be completed as change to the UAccess Financial (“UAF”) system is required. Currently, all modification requests for UAF are on hold (since the spring of 2014) pending the completion of a major upgrade.

Since the number of GEC cost transfers is significantly less than salary cost transfers, SPS considers the risk to the University’s ability to maintain compliance with OMB Circular A-21 or internal policy as low.
Audit Follow-up: Cost Transfers

Additionally, the recommended system modification to create a field for users to type in the reason for the cost transfer was unable to be completed, also due to the UAF upgrade. SPS considers this modification to be low risk as the existing manual process includes follow-up with the units who submit the cost transfers. The request will be revisited when the upgrade to the financial system is complete.

The second finding related to internal guidance related to cost transfers is considered complete as we found that updates had been made to internal websites that provide cost transfer policy and guidance.

No further follow-up will be required.

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Attachment:  *Departmental Action Plan Status Form*
Departmental Action Plan Status Form  
Internal Audit of Cost Transfers (FY13 - #11)  
February 2016

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| **FINDING #1**
Action 1. Target Implementation Date: July 1, 2014

SPS will request via UITS JIRA System that a code be added to cost transfers and dashboard reports be built to include the recommended data elements.

The target implementation date is the date SPS will complete all the requests. It is not the date that UITS will complete the necessary coding changes in the UAccess Financials System and the reporting in UAccess Analytics. UITS prioritizes JIRA requests according to the level of urgency of reported issues. SPS has no authority to mandate that SPS JIRA requests be UITS’ top priorities.

**Status: Implemented**

SPS met the target implementation date of July 1, 2014. We requested via the UITS JIRA System in March 2014 to add two new fields, Late Flag, and Days Elapsed, to the UAccess Analytics’ KFS-Ledger Entries and KFS-Labor Ledger Entries subject areas.

As indicated via JIRA ticket UAIR-7034, the two new fields are now available for salary cost transfer documents (ST) housed in the KFS-Labor Ledger Entries subject area. However, per JIRA ticket UAIR-7532, the two fields do not work for General Error Correction documents (GEC) in the KFS-Ledger Entries subject area because there is no one-to-one relation between the KFS document number and the reference number for each accounting line.

The availability of the two new fields with ST documents will allow us to analyze salary transfers, which comprise the majority of the transfers. SPS determined that the lack of these two data fields on GEC and DI documents, would not pose any audit risk. Therefore, we recommend that the JIRA ticket UAIR-7532 be closed.

The other recommended enhancement, Reason for Transfer, is not implementable due to a code freeze (imposed in the Spring of 2014) while UAccess Financials is going through an upgrade. Any proposed modification to the UAccess documents will be evaluated after the upgrade is completed.

We recognize that the recommended changes will assist the analysis of cost transfers. We do not, however, consider the lack of the recommend data fields as a significant audit risk because all cost transfers are reviewed and approved by both departmental fiscal officers and SPS fund accountants.
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<td><strong>FINDING #1</strong>&lt;br&gt;Action 2. Target Implementation Date: July 1, 2014&lt;br&gt;When the code is added and the reports completed, SPS will define roles and responsibilities in reviewing and monitoring the dashboard reports</td>
<td>Status: Not Implemented (dependent on Action #1 above)&lt;br&gt;The implementation date of this action depends on the time and availability of the necessary data fields for data queries and dashboard reports. This action will be revisited when the upgrade to the financial system is complete and the code freeze has been lifted. Again, we recognize that the recommended changes will assist the analysis of cost transfers. We do not, however, consider the lack of the recommended data fields as a significant audit risk because roles exist for the current manual review process. All cost transfers are reviewed and approved by both departmental fiscal officers and SPS fund accountants.</td>
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<td><strong>FINDING #1</strong>&lt;br&gt;Action 3. Target Implementation Date: July 1, 2014&lt;br&gt;SPS will escalate any unresolved cost transfer issues to the college level management</td>
<td>Status: Implemented&lt;br&gt;Escalation occurs on a regular basis when fund accountants are aware of any issues that can’t be resolved at the department level. For example, we were aware that Steward Observatory processes a large number of cost transfers on a regular basis, we contacted both the Department Head and the Director of Finance and Administration. A meeting was held, and communication occurred to discuss how to minimize the number of transfers.</td>
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| **FINDING #2**<br>Action 1. Target Implementation Date: July 1, 2014<br>SPS will work with FSO to clarify the timely transfer requirement for sponsored project accounts in the University Financial Policies and Procedures Manual. SPS will remove outdated information regarding cost transfer on the SPS website and fix the links to University policy that are not currently working. | Status: Implemented<br>SPS met the target implementation date of July 1, 2014. Both FSO and SPS websites were updated in March to reflect timely transfer requirement for sponsored project accounts. See below:<br>http://policy.fso.arizona.edu/fsm/600/610<br>http://rgw.arizona.edu/administration/managing-projects/fiscal-responsibilities#CostTransfers<br>Language added to the FSO’s Financial Services Manual Section 6.10.1. (d): ”Please note that transfers of costs to federal and sub-federal sponsored projects correcting clerical or bookkeeping errors must be made promptly after the errors are discovered and within 30 days of posting to the UAccess
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<td>Financials account. Transfers made after the 30-day limit are considered &quot;late cost transfers.&quot; Federal regulations require that late cost transfers be documented by a &quot;Correction of Error Certification,&quot; which certifies that the expenditures were incurred for the goals, objectives and benefit of the account to which the costs are being transferred. Federal regulations require that the error certification contain a full description of the cost being transferred and how the cost benefited the project, how the error occurred, why the error correction is late, and the steps being taken to ensure that the error will not happen again. For additional requirements associated with sponsored projects accounts, please see <a href="http://rgw.arizona.edu/administration/managing-projects/fiscal-responsibilities">http://rgw.arizona.edu/administration/managing-projects/fiscal-responsibilities</a>.</td>
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Language updated on the Research Gateway website: “Transfers of costs to federal and sub-federal sponsored projects correcting clerical or bookkeeping errors must be made promptly after the errors are discovered and within 30 days of posting to the UAccess Financials account. Transfers made after the 30-day limit are considered "late cost transfers." Federal regulations require that late cost transfers be documented by a "Correction of Error Certification," which certifies that the expenditures were incurred for the goals, objectives and benefit of the account to which the costs are being transferred. Federal regulations require that the error certification contain a full description of the cost being transferred and how the cost benefited the project, how the error occurred, why the error correction is late, and the steps being taken to ensure that the error will not happen again. A description of "research supplies" or an explanation that merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient."
Departmental Action Plan Status Form
Internal Audit of Cost Transfers (FY13-11)
February 2016

The status and the description of actual corrective actions taken as described on this form are accurately reported.

[Signature]  [3/25/16]
Signature Date

Sherry Esham, Director, Sponsored Projects Services  Tel: 520-626-6000

Print Name, Title and Telephone Number
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