

**HEALTH SCIENCES CENTER
SCHOOL OF MEDICINE
AUDIT OF RESTRICTED FUNDS PROCEDURES**

THE UNIVERSITY OF NEW MEXICO

**Report 2005-33
August 15, 2007**



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ABBREVIATIONS

HSC.....	Health Sciences Center
HHS.....	Department of Health and Human Services
IA.....	Internal Audit Department
NGA.....	Notice of Grant Award
NIH.....	National Institutes of Health
PI.....	Principal Investigator
UBP.....	University Business Policies and Procedures Manual
University.....	The University of New Mexico
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

As part of fiscal year 2007 audit plan, we reviewed departmental administration of grants and contracts in The University of New Mexico (UNM) Health Sciences Center (HSC). We reviewed the departmental policies and procedures for the Departments of Family Practice and Community Medicine, Internal Medicine, and Molecular Genetics and Microbiology. We also reviewed related University-wide policies and procedures.

Existing HSC policies and procedures for pre- and post-award procedures for sponsored projects give assurance of guidance for administering sponsored projects. The HSC departments should receive more training on how to use Banner-reporting tools and should standardize the documentation kept in departmental files for sponsored projects. UNM should look for automated solutions to challenges in the sponsored projects' area. Based on testing a random sample of expenses, the recommendations listed below should help improve the administration of grants and contracts.

DEPARTMENTAL TRAINING FOR BANNER REPORTING TOOLS

The Interim Chief Information Officer and the Associate Vice President for Financial Services-Health Sciences Center should provide more training opportunities for departmental Banner reporting tools. Management will implement the project plan they are developing.

STANDARDIZATION OF DEPARTMENTAL FILES FOR SPONSORED PROJECTS

The Associate Controller of Grants and Contracts Accounting and the Associate Dean for Finance and Administration-Health Sciences Center should develop standards for departmental files for sponsored projects. Management will create a job aid.

SOFTWARE DEVELOPMENT FOR ADMINISTERING GRANTS

The Associate Controller of Grants and Contracts and Interim Chief Information Officer should continue developing software solutions for administration of sponsored projects. Management will use the Workflow software to develop solutions.

INTRODUCTION

BACKGROUND

Consolidated in 1994, HSC is the largest academic health complex in the state. HSC combines its four mission areas - education, research, patient care, and partnership - to provide New Mexicans with the highest level of health care. It is funded through appropriations, patient care fees, donations, and sponsored projects. For fiscal year 2006, HSC received \$133.2 million or 44.6% of the total UNM Contract and Grant Awards received. HSC consists of several academic and clinical entities. One of the academic entities is UNM School of Medicine (SOM). The mission of the SOM is to educate physicians, scientists, and allied health professionals through the transmission of biomedical knowledge acquired from research and patient care.

A sponsored project is research, instruction, public service, or other project involving funds, materials, or other compensation from an outside source under an agreement that requires performance and deliverables. UNM accounts for these sponsored projects as restricted funds. HSC Accounting is responsible for reviewing the terms and conditions of the sponsored projects, and reviewing the transaction for compliance with the terms and conditions. They periodically bill the sponsor and file the final financial reports with the sponsor. They are the official repository for financial records.

The SOM departments provide pre-award and/or post-award support to the principal investigators. Principal investigators are responsible for adhering to the University of New Mexico policies and procedures for completing the technical requirements and handling the day-to-day administration of the project as proposed to the sponsor.

PURPOSE

The purpose of our audit was to review and test existing departmental policies and procedures for sponsored agreements in the SOM to determine the effectiveness of their policies and procedures.

SCOPE

We limited our scope to policies and procedures for selected SOM departments of Family Practice and Community Medicine, Internal Medicine, and Molecular Genetics and Microbiology. Policies and procedures for sponsored projects were reviewed as to adequacy, best practices, consistency, and possible improvements to the process. Our fieldwork was completed in April 2007.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

DEPARTMENTAL TRAINING FOR BANNER REPORTING TOOLS

According to the Program Administrators the Internal Audit Department (IA) interviewed, the reporting tools in the Banner financial system for administering sponsored projects are not being fully used by the SOM departments.

Training in the Banner financial system reporting tools is essential in administration of grants. The LINK web site discusses Hyperion, and Banner reporting capabilities stating, “There are several methods for producing and viewing reports from the Banner system...” Due to either a lack of knowledge about the tools available or scheduling issues for training in the tools, departments are not taking advantage of available tools.

Lack of training in the Banner tools may lead to inefficient administration of grants.

Recommendation 1

The Interim Chief Information Officer and the Associate Vice President for Financial Services-Health Sciences Center should survey Banner System users regarding the types of reporting tools and training needed to administer sponsored projects and provide necessary resources to meet their needs.

Response from Interim Chief Information Officer and the Associate Vice President for Financial Services-Health Sciences Center

Management concurs with the recommendation that the Interim Chief Information Officer and the AVP for Financial Services – HSC should survey Banner users to determine the reporting tools and training needed to administer sponsored projects and develop the resources to provide the tools and meet the training needs.

We expect that implementation of comprehensive reporting tools and training will be an ongoing process, as business needs change. However, we will implement the first project plan by October 30, 2008.

STANDARDIZATION OF DEPARTMENTAL FILES FOR SPONSORED PROJECTS

There are varieties of approaches to what documentation is kept in the departmental files. SOM departments keep different documents in their departmental files to help administer the grants. IA could not find a suggested standard for the departmental files. HSC Accounting is the official record keeper for the grants and contracts.

Lack of documentation standards for the departmental files could lead to inefficient practices. It could lead to delays in replying promptly to inquiries from the sponsoring agencies, the Principal

Investigator, and University Administration for information. NIH's Grants Policy Statement, Part II: Terms and Conditions of Grant Awards, Subpart A: General-File 5 of 5, Record Retention and Access, states, "Grantees generally must retain financial and programmatic records, supporting documents, statistical records, and all other records that are required by the terms of a grant, or may reasonably be considered pertinent to a grant, for a period of 3 years from the date the annual Financial Status Report is submitted..."

By developing standards, it will help the departments support HSC Accounting as well as provide information in a timely manner. It will enhance the ability of the departments to effectively and efficiently administer their grants.

Recommendation 2

The Associate Controller of Grants and Contracts Accounting, the Associate Dean for Finance and Administration-Health Sciences Center, and program administrators should adopt a common approach to documentation kept in the department for grants and contracts. A suggested approach could include:

- a. Submitted proposal that includes the budget
- b. Award letter
- c. Assignment of index (account) number from post award
- d. Signature authorization-to include where account funds will come from if over spent.
- e. Request to Spend Funds
- f. Financial reports including projections supplied to PIs
- g. Reconciliation reports of index (account)
- h. Closeout Report if applicable (from post award).
- i. Copies of billings
- j. Documentation concerning expenses including salaries
- k. Miscellaneous correspondence

Response from Associate University Controller for Grants and Contracts, and the Associate Dean for Finance and Administration-Health Sciences Center

Management agrees with this audit finding and concurs that a job aid, similar to the one recommended by Internal Audit, would be helpful in standardizing departmental files for sponsored projects. In addition, the job aid would define that records should be retained, as a general rule, for three years following the end of the award.

Several methods will be used to communicate this standardized approach to departments and other relevant units throughout the University, as follows:

- 1. Presentation to HSC Financial Research Services Large Group Educational and Feedback Session with Fiscal Services.*
- 2. Presentation to Research Administrator Network (RAN)*
- 3. E-mail communication to HSC post-award and/or pre-award list serves*
- 4. Post the job aid in FAST INFO to answer user questions about department documentation needed for sponsored projects.*

The actions summarized in this response will be completed by March 31, 2008.

SOFTWARE DEVELOPMENT FOR ADMINISTERING GRANTS

Softwares available to UNM to administer sponsored projects, InfoEd, SCT Banner Finance Sponsored Research Accounting Module, and Workflow have functionality which UNM is not using. Banner payroll and student service projects have taken priority over development of the grant softwares.

The HSC web site describes InfoEd as a university-wide electronic research administration application that enhances the full life cycle of sponsored projects. The system is organized into a number of modules that offer a full set of features for both investigators and staff who work on sponsored project administration. In the future, an InfoEd account will be necessary for submitting grant proposals and protocols at HSC. HSC uses InfoEd for pre-award administration of research projects.

The centralized accounting offices are using the SCT Banner Finance Sponsored Research Accounting for billing purposes. This software is a core component of the *Banner Finance Administrative* system. The University uses Banner for post-award administration of research projects.

Workflow, part of the University-owned Banner suite of software, may provide a method of tracking the due date of the technical report for grants leading to efficient administration of

grants. Workflow is an open, flexible tool that unites processes, information, and people. It automates, simplifies, and directs the flow of information through your entire enterprise. The results are efficient operations, increased automation and visibility, institution-wide consistency, and easy exception handling.”

IA noted areas where the administration should use the software to automate and improve processes. The following areas are two areas that IA identified. There may be others.

- The University does not have a tracking mechanism to assure that PIs file required technical reports in a timely manner. Currently, the PIs and the University find out that a report is past due when sponsoring agency notifies the PI the report is overdue or the sponsoring agency refuses to pay UNM. Per the Associate Controller of Contract and Grants, when the funding agencies notify HSC Accounting that a report is past due, HSC Accounting notified the PIs by e-mail.
- According to some HSC program administrators and the Associate Controller of Grants and Contracts, UNM is not always timely in filing their grant renewals because UNM does not have a process to identify sponsored projects have renewals due. Delays in processing grant renewals can lead to uncertainty as to whether the project will continue and may result in expending University funds before the sponsored project is renewed.

Delays in developing the softwares’ potential could lead to inefficient and ineffective administration of grants and contracts.

Recommendation 3

The Associate Controller of Grants and Contracts and Interim Chief Information Officer should continue developing software solutions to administration of sponsored projects.

Response from Associate Controller of Grants and Contracts and the Interim Chief Information Officer

Management concurs with the finding and the recommendation of developing software solutions using Workflow to help facilitate processes necessary in the administration of sponsored projects. The Associate Controller for Sponsored Projects and the Interim Chief Information Officer will ensure that the functional and technical resources are available to automate some of these processes.

For the past year, Post Award has been sending manual e-mail notifications to the PI’s letting them know that they have an award that has a budget period ending. This is usually 30-60 days prior to the end date and reminds the PI that close-out actions are pending.

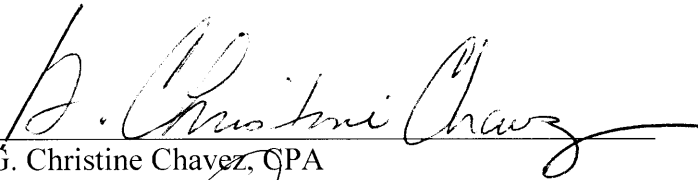
This would be the first process converted to Workflow and would enable the PI and Post Award to track when final reports are due and when they are completed. Effort Certification is another manually intensive process that that could be automated via Workflow as well as reviewing monthly sponsored project expenditures.

The Workflow for impending budget period end dates that would help facilitate close-outs, renewals and technical report filing will be completed by March 31, 2008.

CONCLUSION

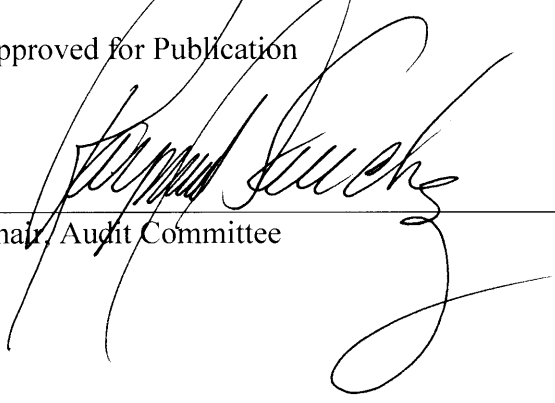
HSC has in place pre- and post-award policies and procedures to administer sponsored projects. The HSC departments should receive more training on how to use Banner-reporting tools and should standardize the documentation kept in departmental files for sponsored projects. UNM should look for automated solutions to challenges in the sponsored project area. These recommendations should add effectiveness and efficiency to the process for administering sponsored projects.

APPROVALS



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Approved for Publication



Chair, Audit Committee