UNIVERSITY OF CONNECTICUT

2014-500 Allowable Costs/Cost Principles – Time and Effort

Federal Award Agency: Various
Award Year: State Fiscal Year Ended June 30, 2014
Research and Development Programs: Various

Criteria: Per Title 2 Code of Federal Regulations (CFR) Part 220 (formerly OMB Circular A-21), the distribution of salaries and wages must be supported by after-the-fact activity reports signed by responsible persons who have used suitable means of verification to confirm that the work was performed. The majority of the charges to federal research and development programs are for personal service costs. Accordingly, the accuracy and integrity of the time and effort reporting system is crucial.

Condition: As noted during our previous audit, under the university’s current time and effort reporting system, researchers’ time and effort reports are prefilled with estimated percentages of effort devoted to various projects by each researcher on a semester basis. These percentages are estimated by dividing the amount charged to each account by the total charged to all accounts on a biannual (July through December and January through June) basis.

Many researchers are nine-month employees who work September through May, but are compensated on a 12-month basis. Accordingly, the charges recorded for a biannual period do not completely correspond with the employees’ actual personal service costs for the semester, as accounts are charged when compensation is paid, not earned.

For example, charges for amounts paid to a nine-month employee in July will be aggregated into the succeeding fall semester. However, these costs actually relate to work performed over the preceding fall and spring semesters.

The prefilled percentages reflect the apportionment of compensation paid to researchers during a period, based on the distribution of those charges to project accounts. This is confusing, because part of that compensation was actually earned during preceding periods when the researchers may have been working on different projects. Overlapping payments for summer semester work creates additional complication.

Effect: These inconsistencies make it difficult to readily correlate the percentages reflected on the time and effort reports with the work actually performed.
Cause: The university pays nine-month employees on a 12-month basis as a convenience for the employees. The implications of this practice with respect to the time and effort system do not appear to have been given adequate consideration.

Conclusion: We are reporting this control deficiency as it existed during the audited period. We are not presenting a recommendation, as the university is already working to address it.

Agency Response: “The University has implemented new charging instructions for labor charged to restricted accounts during the academic year for 9 and 10 month faculty who are paid over 12 months. This method charges sponsored project awards for the full amount earned during the period and accrues the portion not yet paid. Ongoing training is being provided for research administrators and departmental staff who are responsible for processing payroll authorizations. Central administrative personnel will reconcile the accrued amounts to the amount paid to the employee and to determine the proper period was charged. The University has transitioned its effort reporting periods to align with the academic year. Development continues on a new electronic, web based, effort reporting system which is scheduled to deployed in FY15 and is expected to be in use for all or some of the current academic year effort reports.”

2014-501 Cash Management

R/V Connecticut Charter in Support of GNATS 2013 (CFDA # 43.PO #28512) Non Major Program

Federal Award Agency: National Aeronautics and Space Administration
Award Year: State Fiscal Year Ended June 30, 2014
Federal Award Number: PO #28512
Account # 5610680 – Subaward PO #28512 (A08211) from Bigelow Laboratory for Ocean Sciences, project period April 24, 2013 through December 31, 2014

Criteria: Per Title 2 Code of Federal Regulations (CFR) Part 220 (formerly OMB Circular A-21), cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs, and the proportionate share of any allowable indirect costs.
Condition: Average daily cash balances in excess of $100,000 were maintained for one award. These cash balances were significantly in excess of immediate cash needs.

At the beginning of the fiscal year, the account for award PO #28512 had a cash balance of $115,140. Effective June 6, 2014 a charge of $44,800 was posted to the account, reducing the cash balance to $70,340. No other charges were posted to the account.

Effect: Excess cash balances were maintained.

Cause: With respect to award PO #28512, the grantor agency deliberately transferred funds substantially in excess of the university’s immediate cash needs. The grantor agency bears the responsibility for taking appropriate remedial action.

Conclusion: This condition was deliberately engendered by the grantor agency; it bears the responsibility for taking appropriate remedial action.

Agency Response: Not applicable.