

# ON TRACK!

SPONSORED PROGRAMS ACCOUNTING - QUARTERLY: APR 2008

**Mission of this newsletter:** *To keep campus aware of updates and changes in research policies and to share best practices*

## PAINTING YOURSELF INTO A FISCAL CORNER

Recent National Science Foundation (NSF) audit findings at the University of Maryland Baltimore (UMBC), University of California Berkeley (UC Berkeley), California Institute of Technology (Caltech) and closer to home, the University of Utah (U of U), have demonstrated that the auditors are focusing on Time and Effort Reporting and Certification issues. The audits revealed inadequate internal controls related to labor distribution. With the approach of fiscal year end, now is a good time to review the elements of internal control and proper documentation related to the certification of time and effort. Refer to USU's Time and Effort Reporting Policy at <http://www.usu.edu/hr/policies/section500/582.pdf> for further details.

### Certification is based on 100% of Effort

The 100% effort includes instruction, proposal writing, administrative duties, and research efforts. Keep in mind that there are very few situations where the effort is all research related. Even 100% research positions spend some time writing proposals.

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Your Feedback::

How we can improve?

We want to know what you think would make this a better tool for you.

What topics would you like to see discussed in a future issue?

Email ideas to [Wendy.Keller@usu.edu](mailto:Wendy.Keller@usu.edu)

### What are you certifying to?

You are certifying that the salaries charged to projects are commensurate with the effort made on the projects, (within a reasonable amount of 5%). When NSF audited Caltech, they chose a few PI's and pulled all the projects they were working on, including the projects that the PI's had volunteered match. They were looking to see if the

effort proposed was actually charged to each project. NSF wanted to make sure that the PI really had time to complete all he/she was proposing and that NSF was not supporting other research with their funding. Keep in mind that almost  $\frac{3}{4}$  of all expenditures on projects are for salaries. The agencies are looking to verify that they are getting what they are paying for. See page three of the NSF Audit report for Caltech (see PAINTING p2)

at [http://www.nsf.gov/oig/07-1-013 California Institute of Technology.pdf](http://www.nsf.gov/oig/07-1-013_California_Institute_of_Technology.pdf)

### **Who has to certify?**

Everyone who works on federal or federal flow through sponsored projects or has matching accounts related to federal or federal flow through money is required to certify annually on a fiscal year basis.

### **Who Should Sign the Certification?**

The Certification must be signed by someone with suitable means of verification of work performed. It is strongly suggested that the PI sign their own certification and for any graduate students, doctoral, or post doctoral students they oversee. Some examples of suitable means of verification are lab records, role statements, written reports, correspondence, and appointment calendars. One of the findings from the U of U involved certifications signed by someone without suitable means of verification. A sample group of PI's were taken and each PI had to show the supporting documentation that verified the labor costs charged to the NSF projects. A few were unable to provide the requested documentation, resulting in sanctions. See page five of the NSF Audit report for the U of U at <http://www.nsf.gov/oig/combinedutah081002.pdf>.

### **Timeliness of Certification Turnaround**

NSF is also auditing how long it takes PI's to turn in these certification reports, based on the written procedures established at each institution. They found that the U of U was late in certifying salary charges 51% of the time. NSF also found that Caltech had over half of their reports certified late. See page four of NSF's audit report for Caltech and page five of NSF's audit report for U of U. The links are provided above.

### **Stipends vs. Wages**

Utah State had an audit finding in fiscal year 2007 because an employee was paid through the University disbursement system as a stipend instead of through the payroll system as wages. No time card was submitted and the effort was not certified by the principal investigator or the employee. Because of this finding the auditors will look closer this year for similar instances. It is important to review any stipends that are paid on awards to make certain the expense really is

a stipend and not wages. If it is supposed to be wages but was paid as a stipend, contact your accountant. A manual Time and Effort Certification will need to be prepared and certified. If you are unsure if the pay should be wages or stipends, please refer to USU's Stipend Determination Form for further instructions. [http://spo.usu.edu/files/uploads/Stipend\\_Determination\\_Form.pdf](http://spo.usu.edu/files/uploads/Stipend_Determination_Form.pdf)

### **Document, Document, Document**

Reviewing the documentation supporting the effort prior to certification enables the PI to assure the accuracy of the report. This should greatly minimize the need for reallocations after the certification process is complete and also demonstrates strong internal controls. A simple question to ask when looking to reallocate prior period certified labor is **“What do I know now that I didn't know then and how can I verify the need for the reallocation of a prior period certified charge?”** It is very important to keep all documentation to support any changes.

Another area of documentation that is of great concern is receiving documentation from any sub awardees for expenses charged to the project as well as any cost share they may be required to meet. The NSF audit at UMBC found that ‘UMBC could not ensure the accuracy or validity of sub award costs charged to the NSF awards nor that of the cost sharing expenses.’ See page two of the NSF audit report for UMBC. [http://www.nsf.gov/oig/07-1-020\\_University\\_of\\_Maryland\\_Baltimore\\_County.pdf](http://www.nsf.gov/oig/07-1-020_University_of_Maryland_Baltimore_County.pdf)

One of the terms and conditions regarding sub recipient invoices is that a certification as to the truth and accuracy of the invoice and matching expenses be part of the submitted invoice. An example of this may be “I certify that all expenditures reported, including match expenses, are for appropriate purposes and in accordance with the agreement set forth in the application and contract award documents.”◇