



Internal Audit Department

COST SHARING AND RELEASED TIME

April 29, 2011

To the Board of Trustees
University of Wyoming

We conducted an audit of the Cost Sharing and Released Time processes for the period of June 30, 2009 to December 31, 2010. The audit consisted of interviewing staff members and analyzing all business processes in relation to the grants selected in our sample. The field work for the audit was completed by Kathleen Miller, Internal Auditor and Jonnie Jenkins, Senior Auditor.

We would like to thank Dorothy Yates, Shannyn Adkins and the rest of the Research and Office of Sponsored Program (OSP) staff for their assistance on this audit. We would also like to recognize the help of many employees across campus.

Internal Audit will perform a follow up audit in nine months and will report the status on the recommendations made in this audit.

Cost Sharing

Background

Cost sharing according to OMB Circular A-21 is “that portion of project or program costs not borne by the Federal Government. Cost share is often a component of a grant as a method to leverage grant resources. When it is written as part of the grant proposal it is a requirement and if actual cost share does not meet the amount written in the grant, funds must be proportionally returned to the Federal Government.”

1) Observation: OSP Departmental Policies should be Followed

We noted that OSP policies have not been updated, in addition some are not being followed. For example:

- One policy states that expenditure corrections must be submitted within 30 days of the original transaction. We found some expenditure corrections processed in May of 2010 when the original expenditure was made in Oct. of 2008.
- One policy states that all expenditure corrections must be certified by the Principal Investigator (PI). This has not been done regularly.

- Given the implementation of InfoEd policies and procedures should be updated to address processes associated with the new system.

OSP policies have not been updated in over 10 years and many procedures have changed in that time.

Recommendation:

We recommend that policies be updated to address the current environment. We also recommend that the policies be enforced.

Response (OSP):

We will revise the policies to reflect feasible procedures that can be enforced.

2) Observation: Cost Share should be reviewed more thoroughly

We noted that cost share is not being adequately reviewed to ensure that:

- The Cost Share Report (maintained on the computer system) is accurate. This is important because it is the target that Fiscal Administrators and PI's use to ensure that cost share is met within the grant period.
- Cost share is appropriately met. If cost share is not met within the grant period, the proportional amount not met should be returned to the sponsoring agency.
- Cost share is only paid from approved sources. Since cost share is that portion of the grant that the university had committed toward the completion of the grant, it is inappropriate to meet that requirement with federal funds unless specifically approved.
 - Currently Personnel Activity Reports (PARs) are not reviewed to determine that the Cost share is not being charged to a federal account. The system does restrict the use of federal accounts for cost sharing if the federal funds are coded appropriately, however, federal pass through accounts circumvent this system control because they may be coded according to the pass through organization (usually state).
 - One PI is using a letter from the Department of Transportation allowing \$589,167 to be used as cost share. This is federal money being used as cost share for another federal grant. A letter authorizing this must come from the highest ranking official in the Department of Transportation specifically approving the use of these funds for cost share to another federal grant. A letter was in the file, however it did not appear to be signed by the appropriate official.
- Time is not recorded as both cost share and directly charged to the grant. In one case, time was directly charged to a federal grant and simultaneously used as cost share.
- Expenditures from UWCASH accounts are being reviewed for allowability. Conversations with coordinators revealed that if cost share is coming from a UWCASH account expenditures are not being reviewed.
- The final report is not submitted before the cost share was reviewed.

Recommendation:

We recommend that processes be improved to ensure:

- the cost share report is accurate,
- cost share is appropriately met,
- cost share is reviewed to ensure that it is paid for from non-federal resources unless otherwise approved by the sponsor,
- time is not reported as both cost share and a direct charge
- cost share expenditures are reviewed for allowability.
- cost share is adequately reviewed before the final report is submitted.

Response (OSP):

We currently have policy to ensure all of the above recommendations are met. Further training for the OSP Coordinators will be conducted, as well as refresher training on a regular basis.

3) Observation: Cost Share should be Accurately Calculated

The differential is the unrecovered indirect costs that in some cases can be allocated to cost share. This is manually calculated and input into the cost share report. This calculation should be based a percentage of expenditures. We found several cases in which it was based on the total spending authority. This could mean that the cost share was overstated.

Recommendation

We recommend that the differential be calculated accurately and adequately documented. This may require additional training, explanations on the spreadsheet or another verification of the calculation.

Response (OSP):

Additional training will be provided for OSP Coordinators, as well as refresher training on a regular basis.

4) Observation: Final Reports should be submitted on time

We identified one grant in which the final report should have been submitted by June 30, 2010 but had not been submitted as of Jan 4, 2011.

Recommendation

We recommend that all OSP ensure that all reporting deadlines are met.

Response (OSP):

The implementation of InfoEd will provide notification of required reports and due dates. Policies for closing the projects within the sponsor deadline will be enforced through the performance evaluation process and training.

5) Observation: Expenses charged to grants are not reviewed for Allowability according to OMB Circular A-21

During the course of the audit we noted that grant partners are not required to support documentation with the current month's invoice. This causes them to be reimbursed without review of documentation. Further review indicated that expenditures charged to grants directly or through sub-recipients are not reviewed for allowability. This puts the Institution at risk for allowable costs and meeting cost share requirements by funding agencies.

Currently, OSP is relying on the procedures in A/P to verify the accuracy of coding of expenditures to align with the grantee budget. The Accounts Payable Office reviews expenditures for accurate coding through the chart of accounts, compliance with UW Rules and Regulations and Generally Accepted Accounting Standards. This office does not check for the allowability of the expenditure in relation to the project.

Recommendation

We recommend that OSP create a desk monitoring process in which all grants are reviewed to ensure expenditures charged to grants are allowable costs. Desk monitoring can occur with grants selected randomly, however this will support the cost principle requirements as outlined in OMB Circular A-21.

Response (OSP):

P-card expenditures are considered in the same manner as other expenditures which are reviewed by the Accounts Payable Office for appropriate account coding which identifies the expenditures by budget category. There are currently approximately \$1 million in P-Card transactions per month, which would require two full-time employees in order to review all project transactions generated through P-Card usage.

Project transactions documentation is required by the sponsor on approximately 5% of projects. In addition, project transactions are randomly reviewed by the OSP Coordinators.

Subcontractors are not required to submit backup documentation with invoices. Subcontractors are monitored for compliance with A-133 requirements and follow-up is completed when subcontractors have findings related to pass-through funds from the University of Wyoming.

6) Observation: Grant files are not kept current and maintained in a consistent manner

We noted that grant files are not always up to date for example, in one file there was a modification to the agreement, dated 11/29/2010, placed in the file however the cost share summary does not reflect the change as of 12/16/2010.

Each coordinator has their own method to managing files and there is no uniformity or consistency through the office. This could be problematic as work load is evaluated and files are transferred between coordinators.

Files did not include adequate supporting information for adjustments made through out the year by the Project Coordinator. For example changes made to cost share calculations were not explained or traced to supporting documentation.

We found several grant files where the current spending authority for the grant was not clearly documented and some could not be verified at all. In these cases a grant had several parts done by different individuals and the funds were shared between the different parts. When changes were made reducing one part and increasing another we expect that to be documented in the file.

Recommendation:

Standards for documentation of grants need to be set and all files need to be current. In addition, any changes made should be explained and referenced adequately.

Response (OSP):

InfoEd has a document repository which categorizes the documents. Training will be provided to ensure that documents are uploaded to the correct categories. InfoEd also has the capability to search attached documents.

Released Time

Background

Released time is a process used at the University when a Principal Investigator (PI) needs to be 'released' from the work he or she is contracted to do for the University so that they can work on the project. The grant will pay for the faculty member's time so that the department chair can use those funds to pay for a substitute.

1) Observation: Accounting processes surrounding released time are inadequate

Salary dollars from the grant to pay for the PI's time are placed in a released time account and sometimes these funds are not allocated correctly. This occurs because the accounting mechanism is completed after the grant begins instead of at the time of the award when salaries should be set up.

Recommendation

We recommend that adequate procedures be implemented to ensure that salary dollars are accurately accounted for and distributed appropriately.

Response (Academic Affairs and Research): The Offices of Academic Affairs and Research and Economic Development will develop a process that facilitates department-level tracking of (1) Section 1 dollars released by reassignment of employees' duties to externally funded projects, (2) the uses of those dollars to replace the duties of reassigned employees, and (3) the uses of unobligated residual funds remaining after the duties have been replaced. These offices also will develop workshops to (1) explain the proper uses and management of released time funds and (2) include training opportunities to help department heads and department-level business staff use the new process appropriately.

2) Observation: Guidelines need to be more comprehensive

We found that the only guideline in place at the present time is a white paper issued by the Provost in May of 2010. While this document is critical in describing university philosophy

and standards, we found a great deal of confusion, differing interpretations and uncertainty across campus. The white paper discusses expectations; however there are no processes or direction about how to implement some of those expectations. Authority for administering this process is not identified and there is no direction about who is responsible to ensure compliance with the philosophies discussed in the white paper.

Recommendation

We recommend that more detailed direction be written and provided to departments on how released time should be set up, implemented and monitored.

Response (Academic Affairs): The workshops identified in the response to Observation 2) will help disseminate information on how released time should be set up, used, monitored, and documented. Based on feedback from these workshops, the Office of Academic Affairs will work with the Office of Research and Economic Development and the Internal Audit Department to develop more detailed written information about these matters.

3) Observation: An approval process should be developed

We noted that there is no formal and documented approval process that a PI must follow to obtain released time as required in the white paper. Without this structure many areas have provided released time without a clear understanding of what duties are being released. We also noted that because there is not adequate review before the released time is granted, released time is being applied inconsistently across campus. The written approval process would help identify responsibilities and provide documentation of the review.

Recommendation:

We recommend that an approval process be developed. The process should include an approval form with approving signatures from the supervisor (dean, department chair or provost), the Office of Sponsored Projects, and the monitoring area. The approval document should identify the following:

- Was salary included in the budget
- Whose time is being released
- What percentage of the PI's time will be released and the actual dollar amount involved
- What documentable duties the individual is being released from
- Who will be performing the released duties
- When will released time funds be utilized for replacement of duties considering the project period
- How much the replacement will be paid and from what released time account

Response (Academic Affairs):

The Office of Academic Affairs will develop an approval form and identify the authorities responsible for monitoring the approval process.

4) Observation: Time frames for use of released time dollars

In the audit we noted that the duties that were released were not always completed within the reasonable time frame. Since it can be difficult to find qualified people to perform the duties that were released, and since there were no clear guidelines, departments have sometimes not replaced the duties within the reasonable time frame.

In addition, when the duties are replaced often the amount paid to the replacement is less than the amount released because the replacement may not have the same qualifications creating a residual amount in the released time account. Currently, there are no time frames regarding when the residual amount must be used. This has resulted in excess funds accumulating without a plan for usage.

Recommendation

We recommend that time frames be established for the replacement of duties that have been released as well as for the residual amount. In addition, we recommend that a plan for the use of the residual amount be required and documented.

Response (Academic Affairs):

The Offices of Academic Affairs and Research and Economic Development will establish time frames for the replacement of duties, normally within one semester of the completion of the appropriate grant or contract.

5) Observation: Monitoring procedures should be developed

We noted that there is no system to monitor released time. Released time can become a somewhat complicated situation and without adequate monitoring important pieces could be forgotten or intentionally abused. In addition, an area should be identified as the 'authority' for released time so that departments have a resource to answer their questions.

We also noted that there appears to be some confusion about the level of supervision that department chair or dean should have in the released time process. We interviewed some department chairs who have felt that the released time account was not part of their responsibilities. In order to insure that each situation in which money is moved into a released time account is appropriate, the department chair or direct supervisor should be involved.

Recommendation

All released time accounts should be monitored by Academic Affairs. We recommend that a process for monitoring released time be developed. This process should include review by the administrator who manages employees' work assignments and who therefore is responsible for replacing their duties. It should also include identifying a person in Academic Affairs that would have responsibility for ensuring that the released time was approved, that the duties have been completed within the project time frame that plans for the residual are documented and that released time documents are on file.

Response (Academic Affairs):

The Office of Academic Affairs and Research will develop a process to monitor the released time accounts. Monitoring will take place on a periodic basis but no less than twice per year.

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