FIU | FLORIDA INTERNATIONAL UNIVERSITY

Office of Internal Audit

AUDIT OF CONTRACTS AND GRANTS ADMINISTRATION
COLLEGE OF ENGINEERING & COMPUTING

Report No. 11/12-03

October 10, 2011

FIU | FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF INTERNAL AUDIT

Date: October 10, 2011

To: Amir Mirmiran, Dean, College of Engineering & Computing
       Andres Gil, Vice President for Research

From: Allen Vann, Audit Director

Subject: **Audit of Contracts and Grants Administration - College of Engineering & Computing, Report No. 11/12-03**

We have completed an audit of contacts and grants administration at the College of Engineering & Computing. The primary objective of our audit was to determine whether established internal controls and operating procedures are adequate and effective to ensure the proper administration of grants at the College. During the past five years the College received approximately $80 million in external funding from a variety of governmental and corporate sources. Over 50% of its faculty participates in research programs.

Overall, our audit disclosed that controls and procedures could be strengthened. The audit resulted in twenty-three recommendations, which management agreed to implement. Many of the recommendations were directed to the Division of Research where improvements would provide the College and the University at-large with better tools to manage our contracts and grants.

C: Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Member
    Mark B. Rosenberg, University President
    Douglas Wartzok, Provost & Executive Vice President
    Kenneth A. Jessell, Chief Financial Officer & Senior Vice President
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OBJECTIVES, SCOPE AND METHODOLOGY

The primary objective of our audit was to determine whether established internal controls and operating procedures are adequate and effective to ensure the proper administration of grants at the College of Engineering & Computing (College).

Our audit was conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*, and included test of the accounting records and such other auditing procedures as we considered necessary under the circumstances. We reviewed Grant activity through March 31, 2011 and substantially completed our fieldwork in June 2011.

We reviewed pre- and post- award procedures and sampled applicable grant expenditures to determine whether they were allowable, allocable and reasonable per University policies and procedures, applicable laws and regulations, and award requirements. We also examined time and effort reports to determine if the University's effort reporting process is adequate to comply with Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions.*

As part of our audit, we reviewed internal and external audit reports issued during the last three years to determine whether there were any prior recommendations related to the scope and objectives of this audit and whether management had effectively addressed prior audit concerns. There were no related prior recommendations.

BACKGROUND

The College of Engineering and Computing (College) offers Bachelor's, Master's and Doctoral programs in a wide number of disciplines. The College also has over 200 active grants housed in 25 state-of-the-art research facilities, including research centers, institutes and laboratories. Research is conducted either independently or in cooperation with other academic institutions and/or industry. In the past five years the College received approximately $80 million in external funding from a variety of governmental and corporate sources. Over 50% of the faculty participates in externally funded research programs. There are also, 32 post-doctoral fellows, research scientists, professional staff, and approximately 125 graduate students (mostly doctoral) supported by external grants. Awards increased by nearly 100% during the first seven months of FY 2009 ($12.2 million) compared to the same period in FY 2008 ($6.1 million).[1]

As of March 31, 2011 the College's total number of active projects, total award amount and life–to-date expenditures by department are depicted in the following table.

Department	Active Projects	Awards	Life-To-Date Expenditures
Biomedical Engineering	33	$ 5,529,624	$ 4,250,750
Civil and Environmental Engineering	36	4,770,931	2,089,710
Center for Diversity	13	8,982,462	7,641,724
Electrical and Computer Engineering	24	6,371,044	2,264,433
Mechanical and Materials Engineering	30	5,147,053	2,989,502
School of Computing and Information Sciences	66	13,773,228	6,651,722
Other	4	558,307	98,222
Total	**206**	**$45,132,649**	**$25,986,063**

In 2008 the College established a Research Office consisting of an Associate Dean for Research, an Assistant Director for Research and Grant, three accountants and a coordinator. They are responsible for:

- Budget management;
- Expenditure review;
- Project ledger reconciliation; and
- Project records maintenance.

The School of Computing and Information Science, which has 66 of the 206 active grants, has its own staff responsible for their own projects.

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[1] Source: Research and University Graduate School Annual Report – May 2009

FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that the College's established controls and procedures could be strengthened. Our overall evaluation of internal controls for grant administration by the College and applicable grant related systems and procedures are summarized in the table below.

INTERNAL CONTROLS RATING			
CRITERIA	**SATISFACTORY**	**FAIR**	**INADEQUATE**
Process Controls		x	
Policy & Procedures Compliance		x	
Effect		x	
Information Risk		x	
External Risk		x	
INTERNAL CONTROLS LEGEND			
CRITERIA	**SATISFACTORY**	**FAIR**	**INADEQUATE**
Process Controls	**Effective**	**Opportunities exist to improve effectiveness**	**Do not exist or are not reliable**
Policy & Procedures Compliance	**Non-compliance issues are minor**	**Non-Compliance Issues may be systemic**	**Non- compliance issues are pervasive, significant, or have severe consequences**
Effect	**Not likely to impact operations or program outcomes**	**Impact on outcomes contained**	**Negative impact on outcomes**
Information Risk	**Information systems are reliable**	**Data systems are mostly accurate but can be improved**	**Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions**
External Risk	**None or low**	**Potential for damage**	**Severe risk of damage**

The areas of necessary improvement identified in our audit are detailed below.

1. Pre-Award Controls

Obtaining grants is supposed to be a collaborative effort between the College and the University's Division of Research (DOR).   However, the pre-award review process established by DOR was not always followed. For most of the projects we reviewed, the College already received an award from its sponsors prior to notifying DOR in the prescribed manner.

The "Pre-Award" period covers all activities relating to the proposal process up to the actual award. It includes: the proposal conceptualization; identification of a funding source; reviewing sponsor guidelines, legal, and regulatory requirements; preparation and submission of a written proposal; negotiation and execution of an agreement with the sponsor if the proposal is awarded by the sponsor.

The Principal Investigators (PI) are required to complete an Internal Clearance Form (ICF) for each proposal and route the ICF,[2] together with the complete proposal, to their respective chair/center director and dean for review and approval. The complete proposal package and all required signatories of the ICF must be submitted to DOR for review and approval prior to submission of the proposal to a prospective sponsor.

This approval process is designed to ensure that the agreement entered into with the sponsor is in the best interest of the University. The ICF provides key data: the identity of the PI, the sponsor, submission deadline, facilities and administrative (F&A) rates, and cost sharing information, etc.

During the audit period, DOR required submittal of the ICF at least one week prior to the sponsor's proposal deadline (two weeks if the proposal is considered complex). A review of 18 awards[3], totaling $5 million disclosed that cases where the ICF was not submitted timely. For ten awards the PIs had already received an award from their respective sponsors prior to DOR review and approval. However, nine represented grants from the Florida Department of Transportation (FDOT). According to the College's Research Office, all of them were under a master agreement that has been signed between FIU and FDOT, although the ICF for each grant was submitted after receiving an award. Consequently, this diminishes the need for following the pre-award approval process. They further explained that these awards were not in response to a formal "call for proposals" but rather to an ongoing need of the sponsor.

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[2] See Policy No. 2320.001, *Approvals Required on Internal Clearance Form Prior to Proposal Submission to Division of Research*.

[3] Our sample included all awards reflected in the University's project ledgers as of June 30, 2010, which exceeded $100,000 with project beginning date between January 1, 2010 and July 1, 2010.

Timely submission of the ICF and proposals enables DOR to thoroughly and properly review all aspects of the proposed grant prior to making a commitment, which may not be favorable to the University's interests or strategic initiatives. Reviewing the proposal afterwards places the University in the discomforting position of accepting potentially unfavorable terms and conditions such as a large amount of cost sharing and/or lower facilities and/or administrative (F&A) rate, etc. or having to cancel an agreement entirely.

Recommendation

The College's Research Office should:	
1.1	Work more closely with the College's Principal Investigators to ensure that all Internal Clearance Forms are submitted within required timeframe.

Management Response/Action Plan:

1.1   The College adheres to the established timelines except in extremely rare situations such as the FDOT project. However, because this sponsor does not have a proposal deadline for these awards and due to the nature of how these awards are extended, the College will submit the required information to the DOR as soon as the FDOT has informed us of the opportunity and prior to the final agreement being reached. This may need to occur within the established one week period in order to secure the funding but will provide notice as early as possible.

Implementation date: Immediately

2. **Time and Effort Reporting and Certification**

Effort reports were not: 1) timely certified; 2) sufficiently supported by employee assignments; and 3) adequately capturing cost-share commitments. Furthermore, there was an over dependence on using tardily prepared payroll transfers as a means of adjusting the payroll records to allocate salary costs to grants.

The University is required to maintain a payroll distribution system that results in a reasonable allocation of salaries and wages charges to sponsored agreements.[4] The payroll distribution system must be periodically reviewed to confirm the reasonableness of charges to sponsored projects. These confirmations are usually in the form of an activity report or payroll distribution report and must be signed either by the employees whose salary charges are being confirmed, or by "responsible persons with suitable means of verification that the work was performed." These signatures confirm that "the distribution of activity represents a reasonable estimate of the work performed," or that the payroll distribution is "reasonable in relation to work performed."

To comply with the Federal requirements, the University established Policy No. 2350.020, *Effort Reporting and Certification*, which requires maintaining after-the-fact activity records for payroll distribution purposes. All time and/or effort spent on any sponsored project is captured and allocated to the various projects or functions by employee.

Federal regulations also require that the estimated effort commitment be compared to actual effort and any significant deviations be reported. Accordingly, employee effort reports are prepared subsequent to each semester (Fall, Spring and Summer). University effort reporting procedures required DOR to issue effort reports to the employees within 30 days after the reporting period. The effort reports must reasonably reflect the actual work performed, as a percentage of the total salary for that period of time. They must be reviewed, adjusted if necessary, and be signed[5] and returned within 60 days of the initial notification for each reporting period.

The effort report must include all the sponsored projects that the employee is working on and the percentage effort towards each, regardless of whether or not the project paid for the employee's salary, such as cost-shared or contributed effort. For each employee, total effort must equal 100%, which account for all sponsored and/or institutional activities. Additionally, effort should be consistent with the expectations of the individual's institutional appointment/assignment.

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[4]   See Section J.10 of OMB Circular A-21, *Cost Principles for Educational Institutions*.

[5]   Only the employee, PI, or other responsible official who has first-hand knowledge of the actual work performed may sign the effort report.

We selected and reviewed a sample of the summer 2010 effort reports certified by College employees who are required to complete, and payrolls charged to sponsored projects for employees who are not required to complete effort reports. We also reviewed all of the effort reports for one individual grant. The results of our review follow:

a)   Effort Report Distribution and Certification

For the College's effort reports for summer 2010, instead of issuing effort reports for staff's review and certification within 30 days after the reporting period, they were distributed by DOR 178 days later. Based on our sample of 23 College PIs and Research Assistants effort reports we concluded that the certifications took place in a timely manner once they were received from DOR. The sampled employees certified their efforts within 24 days after receiving effort report from DOR.

Effort reports for fall 2010, reporting period ending in mid December 2010, has not been issued. The delay in distributing the reports is contrary to the University's effort reporting requirements. Of greater concern is that certification delays of almost 6 months after the reporting period increases the likelihood of inaccurate reporting as it becomes increasingly difficult, as time passes, for PIs and researchers to accurately recall their actual level of effort.

According to DOR the effort reports were distributed late due to difficulties with the effort reporting system. The University is in the process of implementing a new effort reporting system estimated to "go live" in July 2011 for completion of effort reporting for fall 2010, spring 2011, and future periods.

b)   Appointments/Assignments

In order to determine if the effort reported is consistent with the expectations per the employee's appointment/assignment, we compared summer 2010 appointments to effort certification for the College's 23 PIs and Research Assistants. The College informed us that there are employee appointments but no official assignments for summer semester. For faculty members the appointments are called "Annual Notice of Length of Summer Appointment and Salary" or "Summer Supplement" if manually processed. For graduate assistants it is called "Notice of Graduate Assistant Award". In 11 cases the efforts certified by these employees for sponsored projects were not accurately reflected in their summer appointment.

Several of the appointments allocated the employees' total salaries to a specific sponsored project(s). However, a portion of their salaries were subsequently charged to other sponsored project accounts. For example, an employee's summer appointment (supplement) indicated 100% of his summer salary was allocated to a sponsored project; however, his effort report showed that only 25% of his summer salary was charged to that sponsored project, 70% to three other sponsored projects, and 5% went towards the department account. Effort (payroll) charged to specific sponsored projects that are not supported by the employee's appointment/assignment may be at risk.

c) Summer 2010 Effort Report Accuracy

Due to difficulties with the University wide effort reporting system, the summer 2010 effort reports included a portion of faculty compensation that was actually part of spring and fall 2010 semesters. For example, our review of the summer 2010 effort reports for the College's faculty members performing sponsored project(s) revealed that 9 of the 11 employees' effort reports included $22,703 payroll related to prior and subsequent to summer 2010 semester. Consequently, the summer effort reports were generated based on inaccurate salary distribution.

d) Payroll Transfers

In order to comply with Federal regulations, all cost transfers to sponsored projects must be timely, appropriate, consistently treated and adequately documented. University Policy No. 2350.010, *Cost and Payroll Transfers on Sponsored Projects*, states that cost transfers, including payroll should be completed within 90 days of the error's discovery, and every effort should be made to effectuate the transfer promptly after the original charge first appears on the project ID ledger. The policy also states that the foremost responsibility for transfers of cost is with the PI who must certify that the costs being transferred are applicable to the sponsored projects. Requests for cost transfers are initiated by the PI and forwarded to DOR's Post-Award section with supporting documents (payroll detail report and/or transaction detail) for review. In case of payroll transfers, DOR also checks whether certifications of effort need to be revised.

We selected and tested 36 of the College's payroll transfers from payroll transfer logs maintained by DOR. All of the payroll transfer request forms were properly signed by PI or authorized official accepting charge. Sixteen of the payroll transfers were done within the required 90 day timeframe. However, 20 of the transfers were done between 92 to 240 days, after the pay date.

There were 51 College related payroll transfers processed by DOR for the period between February 2 and February 16, 2011 (excluding payroll clearing accounts). The College's frequent dependence on payroll transfers is problematic, and if nothing else, consumes a large amount of grant administration staff time at both the College and DOR.

In one instance, one PI effort certification for the summer of 2010 was not completed until March 2011. The payroll transfer for two summer session pay periods was not completed until April 2011. The payroll transfer amounted to approximately 51% effort, which exceeded the University's established +/- 5% degree of tolerance as acceptable and appropriate when estimating or accounting for effort. This would necessitate a revision to the PI's effort certification report. We brought this to DOR's attention and they revised the Effort Certification report for the summer 2010 and sent it back to the PI for re-certification.

e)   Effort Reporting for Sampled Grant

We tested a specific grant, GEAR UP South Dade Empowerment Zone program, to determine whether the effort for the College's nine employees, whose time was committed each year, was properly reflected in their effort reports. Our review of effort reports for these nine employees during the first five award period from September 1, 2005 through August 31, 2010 disclosed the following conditions:

- No effort reports were generated for three employees. We were informed that their effort reports were not produced because their salaries were not charged to sponsored projects. However, the program required them to commit 3%, 2%, and 5%, respectively of their time.

- For seven employees' committed cost-shared activities, only one employee (PI)'s cost-shared effort was incorporated into the first two year's effort reports. But the cost-shared effort for the first year was approximately 16% instead of the 25% commitment.

- The PI's effort was not charged to the program despite a 5% effort allowance. For example, the PI's 5% effort (approximately $6,956) was not charged to the program for the 1st award year. In the fifth year of the grant the new PI's 5% effort (approximately $5,077) was not charged.

- The PI overcharged his effort to the program by approximately 4% ($5,565) for the 2nd award year.

- Proposed/committed effort was not met and supported by faculty assignments. For example, a change of PI was made and approved by the sponsored agency for the award year 2009-2010. But the new PI's effort reports for the same year show no effort despite a 30% effort commitment for the project. (Also, see Finding No. 3, Cost Sharing/Matching.)

- Effort reporting was not always completed within 90 days. For example, three effort reports for the PI for the award year 2009-2010 were certified 120, 149, and 189 days after the end of each reporting period.

- The effort level required by the PI for the program per the grant award notification showed 80% for each of the six years of the grant. However, the grant application and subsequent progress reports indicated only 30%. The DOR's Pre-Award Director attributed this to a typographical error in the award document. He subsequently contacted the sponsor agency to for a modification.

Based on our review, we determined that the College's effort reporting did not always capture cost-shared efforts committed by the employee on the sponsored projects. The DOR Associate Vice President informed us that our effort reporting system had the ability to report cost-shared efforts, but it's a manual process and

difficult to manage. Effective July 2011 a new effort system is scheduled to be implemented, but it will also include a manual process to capture cost-shared efforts.

Recommendations

	The College should:
2.1	Ensure that all sponsored activities are accurately reflected in salary allocations.
2.2	Work with Principal Investigators to reduce payroll errors and initiate payroll adjustments on sponsored projects in a timely manner.
2.3	Work with Division of Research to adequately capture cost-shared efforts committed by its employees in their effort report.
2.4	Work with Principal Investigators to ensure that their salaries are properly charged for all programs.
2.5	Encourage Principal Investigators and researchers to attend effort reporting training.

	The Division of Research should:
2.6	Ensure that effort reports are issued timely.
2.7	Work with Academic Affairs to include all sponsored activities expected to be performed by Principal Investigators and researchers on their appointments/assignments. Adjustments should be made if necessary.
2.8	Ensure that summer effort reports are generated accurately based on actual summer compensation.
2.9	Ensure that effort reports are revised and recertified when significant payroll transfers (in excess of 5%) are made after effort certification.
2.10	Ensure that effort reports include all sponsored projects that the employee is working on and the percentage effort towards each, whether or not the project paid for the employee's salary.
2.11	Establish procedures to identify and reconcile discrepancies between grant award notifications and their respective grant application.

<u>Management Response/Action Plan:</u>

2.1   The College acknowledges an issue with how the summer 2010 salaries were charged by the HR system and communicated these issues to both Human Resources (HR), Academic Affairs (AA) and DOR during 2010. HR and DOR have worked to correctly reflect any salaries incorrectly charged to any sponsored projects and resulted in transfers occurring after the required 90 day period. This was further complicated by the issues with the effort reporting system. The University has taken steps to implement a new effort reporting system and will be implementing the PeopleSoft HR module which will provide better integration of sponsored research activities to reduce these issues in the future. The College will work with DOR to obtain committed effort and implement procedures to verify summer effort in order to ensure summer pay accurately represents effort during the summer term.

    Implementation date: January 2012

2.2   The University has taken steps to implement a new effort reporting system and will be implementing the PeopleSoft HR module which will provide better integration of sponsored research activities to reduce these issues in the future. The College will work with DOR to obtain committed effort (expected to be available in Spring 2012 per DOR) and implement procedures to verify summer effort in order to ensure pay accurately represents effort during the term.

    Implementation date: July 2012

2.3   The new system requires departments to have an effort coordinator that reviews effort data during the effort period for proper charging of effort and cost share data. DOR will implement a commitment data base in the Spring and will introduce a new fund to capture and track specific cost share commitments.

    Implementation date: July 2012

2.4   The University has taken steps to implement a new effort reporting system and will be implementing the PeopleSoft HR module which will provide better integration of sponsored research activities to reduce these issues in the future. The College will work with DOR through an effort coordinator to obtain committed effort and implement procedures in order to verify and ensure pay accurately represents effort.

    Implementation date: July 2012

2.5   Effort reporting training session was held on the Engineering Campus in September 2011 and several College PIs attended. DOR will continue to offer bi-monthly open labs on the Engineering Campus as the new system is

implemented. College PIs will be encouraged to attend effort reporting training and with the new system, it is expected the effort reports will be easier to understand/submit. Notifications/reports will allow better management to ensure effort and pay are consistent.

Implementation date: Immediately

2.6 A new effort certification system has been implemented by DOR. Also, the College will work with DOR to ensure effort reports are reviewed and submitted timely.

Implementation date: Immediately

2.7 DOR is developing a commitment data base that will be accessible to all Colleges, Departments and Academic Affairs. The data base will provide information that should be used in the assignment process. Also, the College will work with DOR to obtain committed effort (expected to be available in Spring 2012 per DOR) to be used in developing assignments and implement procedures to verify effort in order to ensure pay accurately represents effort during the term.

Implementation date: July 2012

2.8 DOR acknowledges an issue with how the summer 2010 salaries were charged by the HR system and worked with Human Resources (HR), Academic Affairs (AA) to remedy the inaccuracies in summer 2010 and summer 2011. The University has taken steps to implement a new effort reporting system and will be implementing the PeopleSoft HR module which will provide better integration of sponsored research activities to reduce these issues in the future. DOR will work with the College to ensure summer pay accurately represents effort during the summer term.

Implementation date: January 2012

2.9 DOR will provide notification to the College of any variances between actual effort reported and pay charges in order to initiate and track payroll changes to correspond with effort changes. No recertification should be required.

Implementation date: Immediately

2.10 The prior effort reporting system required manual inclusion of any cost share commitments. The new ECRT system captures all effort, including cost matching effort and will be reported on the effort report.

Implementation date: Immediately

2.11 Procedures are in place to review proposed versus awarded activity. The instance described was a single administrative oversight and corrective actions have been taken with the agency to ensure records are consistent.

Implementation date: Immediately

3. Cost Sharing/Matching

Cost sharing commitments were not adequately documented. By accepting an award with committed cost sharing, the University is obligated to demonstrate through documentation its financial contribution to the project. If cost sharing takes the form of time and effort, those cost-sharing activities should be reflected on the effort report.

According to OMB Circular A-110, mandatory cost sharing/matching and in-kind contributions must be verifiable, related to program objectives, allowable under the applicable cost principles, not from another federal award (unless the terms of that award specifically permit the funds to be used as cost sharing or matching), and shown in the approved budget. Funds from any source, which have already been committed as cost sharing to another project cannot be committed twice.

Cost-shared expenses were not always recorded in separate specifically identifiable accounts in the University accounting system. For example, for the GEAR UP South Dade Empowerment Zone program, the College committed five of its employees time at different percentages of effort towards cost sharing. However, their effort reports did not capture their actual cost share efforts (see Finding No. 2, Effort Reporting and Certification). Instead, to support its cost sharing commitments, the College semiannually prepares a Cost Sharing/Matching Cost Sheets, developed by DOR. The College applies the required cost-shared effort percentages to the employees' payroll cost charged to their department (University funds). It does not reflect actual time spent towards cost sharing but rather assumes the time was spent and calculates the value of the cost. This method would not prevent or detect the same payroll dollars from being double committed to more than one sponsored project. It would also not provide sufficient effort if the employee's payroll cost is charged to more than one department account.

We reviewed approved Cost Sharing/Matching Cost Sheets and payroll records for those employees who contributed their time as a cost sharing on the program, for the second half of the 4th award period. As illustrated below the College did not meet its cost sharing obligation for four of the five employees:

Key Employee	Committed Cost Sharing	Documented Cost Sharing	Difference (Under Matching)
PI	25%	16.9%	8.1%
Co-PI	5%	3.1%	1.9%
Co-PI	5%	4.8%	0.2%
Co-PI	3%	1.7%	1.3%

Recommendations

The College should:	
3.1	Work with Division of Research to ensure that the committed cost share for the program above meet the program requirement.

The Division of Research should:	
3.2	Revisit how to better document the actual financial cost share contribution for individual projects, including separate identifiable accounts for cost sharing/matching.

Management Response/Action Plan:

3.1   The College followed the established procedures for reporting cost sharing at the time of the audit. DOR has implemented a new effort reporting system and separate identifiable cost sharing projects will be established as part of a financial system redesign which will be implemented in July 2012. DOR believe existing reporting is in compliance and is confirming cost share requirements with sponsor for the project identified.

Implementation date: July 2012

3.2   A design document was developed to allow multiple funds to be utilized with projects thus allowing for the separate accounting to be housed in a project ID. The new design is part of the chart of accounts (COA) redesign and will be implemented with COA.

Implementation date: July 2012

4. **Administrative Costs**

Unapproved indirect costs such as salaries of administrative and clerical staff, office supplies, memberships, etc. were directly charged to sponsored grants.

The salaries of administrative and clerical staff and items such as office supplies, postage, local telephone costs, and memberships should normally be treated as indirect costs commonly referred to as Facilities and Administrative (F&A) costs.[6] For major projects[7] or in exceptional circumstances[8] where direct charging of F&A costs to grants may be appropriate. Accordingly, the University has developed a policy and procedures requiring PIs to obtain an approval from DOR via the Direct Charge Exemption Form before F&A costs can be charged to grants as direct costs.

To determine if the College has controls and procedures in place to ensure that F&A costs charged to its grants are supported by approved Direct Charge Exemption Form, we reviewed College procurement card transactions posted to its project ledgers from July 2009 to November 2010. Our review disclosed that many projects were charged (coded) F&A costs without approved Direct Charge Exemption Form. For example, 17 projects were charged in aggregate $9,964 for office supplies. Twenty projects were charged in aggregate $17,539 for computer supplies. Memberships totaling $1,242 were charged to three projects.

Additionally, our review of the GEAR UP South Dade Empowerment Zone program disclosed that the salaries of five administrative and clerical staff were directly charged to the grant but was not included in the Direct Charge Exemption Form approved by DOR for office supplies and telephone expenses. All five staff members are OPS employees: two are computer technicians who normally handle general software/hardware troubleshooting; one is a database specialist assisting in maintaining the project's data and website; a data input assistant inputting payroll information; and a program assistant processing all purchases, reconciling ledgers, and maintaining records. Our review of ADP Employee Payroll Detail Reports for these five individuals indicated that as of June 9, 2011, their payroll costs, totaling $269,034 charged to the grant during the award period are as follows:

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[6]   OMB Circular A-21 Section F.6.b, *Departmental Administration Expenditures*

[7]   Major project is defined as a project that requires an extensive amount of administrative or clerical support, which significantly greater than the routine level of such services provided by academic departments.

[8]   All of the following exceptional circumstances need to be met: the project has a special, non-routine, need for the item or service; the cost can be specifically identified with a particular sponsored project or can be assigned to a particular sponsored project with a high degree of accuracy, and directly benefits the sponsored project; each expense to be direct charged is explicitly set forth as a budget line-item in the project proposal; and the project sponsor approves the direct charging of the administrative costs, either through approval of the proposal budget or otherwise.

Employee	Beginning Pay Date	Ending Pay Date	Payroll Costs
Program Assistant	07/20/2007	03/25/2011	$ 91,142
Computer Technician	07/20/2007	06/03/2011	61,444
Computer Technician	07/20/2007	06/03/2011	47,650
Database Specialist	07/20/2007	06/03/2011	64,250
Data Input Assistant	08/13/2010	01/14/2011	4,548
Total			$ 269,034

In the absence of these specific positions included in the grant proposal and/or the approved Direct Exemption Form, their payroll costs directly charged to the project may expose the College to potential disallowance.

Recommendations

	The College should:
4.1	Establish procedures to ensure that F&A costs are not directly charged to grants without approved Direct Exemption Form.
4.2	Work with Division of Research to determine the propriety of the salaries of all administrative and clerical staff charged to the program noted above.

Management Response/Action Plan:

4.1   PIs have been informed by DOR and reminded by the College of existing policies.

      Implementation date: Immediately

4.2   The College and DOR will review the current duties of the identified staff to ensure any salary charges are proper and in compliance with A-21.

      Implementation date: November 2011

5. <u>Other Expense Controls</u>

Internal controls over approving University credit card transactions and competitive procurement need to be strengthened. According to University Policy, PIs have the responsibility to manage their projects within their established budgets and to ensure that charges to the projects are reasonable, allocable and allowable. Also, the PIs should review sponsored project ledgers at least monthly to ensure the proper posting of expenditures and the timely discovery of any errors.

a) Procurement Card Administration

University procedures require each department to ensure that subordinates do not approve purchases of their supervisors. The key duties and responsibilities for reviewing and approving University credit card transactions should be assigned to the cardholder's supervisor or an independent approver not reporting to the cardholder.

We reviewed the College's cardholders and approvers' profile information maintained by the Controller's Office in January 2011. Of the 53 cardholders' designated approvers reviewed they were not subordinates of the cardholders and followed the University procedures.

Our review of a PI's University credit card transactions disclosed that the PI's University credit card was provided to one of his research staff members to purchase gasoline for a College van and a rental vehicle, which were used for the research projects. Sharing a University credit card is not allowed per credit card procedures. A project ID was noted on each gas receipt but we were unable to determine if every gasoline purchased was project related.

Six tolls charged to one of the PI's projects via SunPass operations were not related to that project, but for a training workshop conducted by the PI. The PI acknowledged that it was a mistake and will remove the charges from the project and transfer it to his miscellaneous account.

b) Competitive Procurement

University Purchasing Manual and procurement procedures require competitive quotation for purchasing goods or services at a certain dollar threshold. For instance, three or more written quotations are required if the total cost of the order is between $25,000 and $75,000.

During our review of expenditures of the GEAR UP South Dade Empowerment Zone program grant, we requested College employees to provide the required quotes for sampled purchases for the program. College staff indicated that they thought that Purchasing Services was responsible for obtaining the competitive quotation. However, the Purchasing Manual and other written procurement procedures provide contradictory direction of who is responsible for obtaining required quotations.

We also noted that a College employee was making bulk purchases of snacks and drinks to be used for the program during the school year and storing them at an off campus participating school location instead of taking advantage of buying in smaller quantities as needed using the blanket purchase agreement[9] with the food vendor.

Recommendations

The College should:	
5.1	Ensure that credit cardholders do not share their card information with others and strengthen University credit card controls over gasoline purchase and SunPass operations.
5.2	Ensure that its employees do not make unnecessary bulk purchases.

The Purchasing Services Department should:	
5.3	Revise its Purchasing Manual and procurement procedures related to competitive procurement.

Management Response/Action Plan:

5.1   The College has communicated University policies and procedures to PI and staff.

Implementation date: Immediately

5.2   This project is a multi-year project and bulk purchases not only saves money but it also saves time for the purchasing department, as well as the time of the individuals making purchase requisitions and should continue. The College does not encourage bulk purchases and does utilize blanket purchase orders where appropriate.

Implementation date: Immediately

5.3   We have clarified the language in the Purchasing Manual to match procurement procedures.

Implementation date: Immediately

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[9]   A blanket purchase is a simplified method of filling urgent needs for small quantities of supplies or services by establishing open accounts with qualified suppliers.

6. Financial Management Control

During the audit, we observed the following two areas where the College's Research Office can improve its operations.

a) Project Ledger Reconciliations

In order to ensure that grant expenses incurred by PIs are properly accounted for and recorded in the University's financial records (project ledgers), the College's Research Office staff[10] is assigned to reconcile the project ledgers. During the audit, we observed that the College's expenditures had not always been reconciled to project ledgers maintained in the University's PantherSoft financial system. Approximately 60% of projects have not been reconciled. The Assistant Director for Research and Grant attributed this to employee turnover and insufficient staff.

b) Operating Manuals

In order to effectively communicate management expectations, it is a good business practice to maintain operating manuals. It provides staff with a readily available reference source, guidance and training tool enumerating duties and responsibilities, and provides for the consistent application of the College management's policies and procedures. The College's Research Office had not developed an operations manual. To its credit, the Office has a one-page handout to define roles and responsibilities for PIs, department staff and College Research Office.

Recommendations

	The College should:
6.1	Reconcile project ledgers at least monthly.
6.2	Develop, disseminate, and periodically update an operations manual giving due consideration to relevant University policies and procedures.

Management Response/Action Plan:

6.1   The College works diligently to reconcile ledgers. However, limitations with turnover and staffing makes this difficult. The College will work with DOR to identify resources and procedures to ensure the ledgers are monitored at least on a monthly basis.

   Implementation date: July 2012

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[10]   The School of Computer and Information Sciences and the Center for Diversity in Engineering and Computing have their own staff members for account reconciliations.

6.2   The College will develop a grant administration operating manual.

Implementation date: July 2012

7. Close-out Controls

In many instances the University did not close its sponsored projects in a timely manner. Federal closeout procedures states, "Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding agency may approve extensions when requested by the recipient."[11] To ensure uniform and complete closeout of all sponsored projects, the University established a policy, which requires all projects be promptly closed out at the end of the project. Projects are considered completed on the earlier of when all work under the project is finished, or on the date of the award document provides as the end date of the project.

DOR procedures require the preparation and completion of a close-out checklist and a report of expenditure (ROE) form for each grant. These documents are prepared by DOR grant financial managers and are approved by the PI, among others. They document that all procedures have been followed in closing out the projects. College Research Office personnel indicated that they resolve various issues to facilitate the close-out process; however, the Post-Award section of DOR is ultimately responsible for closing out the projects.

As of November 30, 2010 there were 39 projects, totaling $5 million not closed, after more than 90 days past their project end date. As of February 25, 2011 all of these projects remained open an average of 508 days after the project end date, ranging from 178 to 1,273 days. Various explanations were provided for not timely closing these projects, such as technical reports not submitted; overdrawn projects (spent more than budget); employee turnover/insufficient staff; and costs charged after the project end date. For example, $21,854[12] in additional costs was charged to project ID 212430503 after the project end date of August 31, 2007, as follows:

Date Posted	Account Description	Amount
10/31/2007	DP workstation	$ 5,748
10/12/2007	Payroll	6,230
01/23/2008	Payroll	5,876
02/28/2011	Contractual Service	4,000
Total		$21,854

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[11] OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart D (.71)

[12] The Assistant Director for College Research Office informed us that these expenditures were disallowed by a sponsoring agency.

Additionally, the following two projects spent more than their budget.

Project ID	Project Description	Budget	Expenditures	Deficit
800000110	ITS Technical Research Support	$ 75,000	$ 79,227	$ 4,227
212000548	Miami Children's Hospital Professorship	$284,435	$ 303,645	$ 19,210

We were informed that projects were overspent mainly due to employee payroll.

Recommendations

	The Division of Research should:
7.1	Ensure that all grants that have ended are closed-out in a timely manner.

	The College should:
7.2	Timely identify and resolve issues, which otherwise delay the closeout process, in order to facilitate project close-out procedures.

Management Response/Action Plan:

7.1 The Division of Research constantly monitors all projects that have ended but cannot always control the various circumstances that causes or requires a project to remain open. DOR will work with the Academic Units to get any outstanding documents and will record in a comment field that provides the reason the project is open beyond 120 days. And continue to follow-up on a routine basis.

Implementation date: Immediately

7.2 Although the College is not aware of any outstanding issues that required response for resolution, the College will work with the DOR on any outstanding projects that need close-out and submit timely resolution.

Implementation date: January 2012