



CENTRAL CONNECTICUT STATE UNIVERSITY

2015-600 Allowable Costs/Cost Principles – Excess Personnel Costs

Aviation Research Grants (CFDA #20.108)
Federal Award Agency: Department of Transportation
Award Year: State Fiscal Year Ended June 30, 2015
Federal Award Number: 11-G-002

Criteria: Title 2 Code of Federal Regulations (CFR) Section 200.430(h)(2) (formerly Office of Management and Budget Circular A-21) provides that “charges for work performed on federal awards by faculty members during the academic year are allowable at the IBS (institutional base salary) rate.” With certain exceptions, “...in no event will charges to federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE (institution of higher education) for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities.”

Condition: Central Connecticut State University charged excessive personnel costs to a federal award (CFDA 20.108 Aviation Research Grants, “Non-Linear Finite Element Modeling Guidelines for Aerospace Impact Applications”) received from the Department of Transportation’s Federal Aviation Administration during the audited period. In particular, the rate of pay that the university paid the program’s principal investigator and charged to the grant exceeded the pay rate limit prescribed by Title 2 CFR Section 200.430(h)(2). The code limits such charges to the faculty member’s base salary rate. The university compensated the program’s principal investigator at a rate of \$75 per hour for 240 hours of grant work performed. Accordingly, we noted three salary payments, which totaled \$18,000, charged to the program during the audited period. However, the faculty member’s base salary rate during the audited period was \$68.50 per hour, which should have amounted to \$16,440 in base rate gross pay charged to the grant. As such, the university charged at least \$1,560 in personnel costs to the grant (excluding related fringe benefit costs) in excess of the employee’s base salary rate.

Effect: The university did not comply with the personnel cost limitation set forth in Title 2 CFR Section 200.430(h)(2) with respect to salaries of faculty members charged to federal programs. This led to the charging of excessive, questionable costs to a federal program.



Cause: The university informed us that because the grantor approved the principal investigator's budgeted hourly pay rate, it believed that the salary rate charged to the above program was in compliance with federal regulations.

Recommendation: Central Connecticut State University should cease making personnel charges to the above federal grant at a rate of pay in excess of the principal investigator's base rate of pay in order to adhere to the requirements of Title 2 Code of Federal Regulations Section 200.430(h)(2). Furthermore, the university should work with its grantor to determine if any of these questioned payroll costs should be repaid.

Agency Response: "The university partially agrees with this finding. In submitting the grant, the university requested and received approval for the \$75.00 per hour. The grant application included the annual salary and the \$75.00 per hour; however, the approval does not make reference to the IBS rate. The university will work with the grantor to determine if any of these costs should be repaid. The university will also continue to review and abide by the Federal regulations and adjust procedures and processes accordingly if applicable."

Auditors' Concluding

Comments: Although documentation that the university provided us indicated that the grantor approved the \$75 per hour pay rate charged to the program, it is uncertain whether the grantor was aware that this rate exceeded the IBS rate limitation.

2015-601 Allowable Costs/Cost Principles – Time and Effort Reporting Records

Federally-Sponsored Research and Development Programs

Federal Award Agency: Various Federal Agencies

Award Year: State Fiscal Year Ended June 30, 2015

Federal Award Numbers: Various

Criteria: As detailed in Title 2 Code of Federal Regulations Part 200 (formerly Office of Management and Budget Circular A-21), "Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated."

Condition: In our test of payroll costs charged to research and development programs during the audited period, we noted that the university charged a part-time student labor payment, which totaled \$696, to the Social, Behavioral, and Economic Sciences program (CFDA 47.075). The university informed us that



for this federal program, a department secretary, not the principal investigator (PI), approved part-time employee timesheets on behalf of the PI.

The university further informed us that for part-time employees, it did not complete time and effort reports providing after-the-fact certification identifying the specific federal program worked on. Rather, for part-time workers, the university relied on Core-CT system timesheets, which do not identify the federal programs the employees worked on. The following presents the university’s part-time labor charges to federal research and development programs during the fiscal year ended June 30, 2015, which were not supported by a time and effort reporting system:

CFDA #	Program Title	Expenditures
43.008	Education (NASA)	\$2,049
47.075	Social, Behavioral, and Economic Sciences	5,090
47.076	Education and Human Resources	458
84.126	Rehabilitation Services_Vocational Rehabilitation Grants	694
93.273	Alcohol Research Programs	1,323
	Total	<u>\$9,614</u>

Effect: The university’s internal controls were weakened because it did not have an adequate time and effort reporting system in place for part-time employee payroll costs charged to federal programs. As such, the university lacks supporting documentation to confirm that part-time employee salaries and wages were appropriately charged to federal programs. Consequently, the university and federal grantors lack assurance that such charges are accurate and allowable.

Cause: Existing controls were not adequate to prevent this condition.

Recommendation: Central Connecticut State University should implement a time and effort reporting system for part-time employees whose wages are charged to federal programs.

Agency Response: “The university disagrees with this finding.

The university utilizes the State of Connecticut's Core-CT HRMS for all time and attendance records including all part-time student labor. When a principal investigator (PI) utilizes part-time student labor, that PI completes a Student Help Program Certification form and certifies that all charges are to be and will be charged directly to that federal program.

Per university policy, part-time student labor is not allowed to work for more than one supervisor in any given pay period.



When the PI, or the PI's designee on their behalf and authorization of the hours worked, certifies the part-time student labor's time within Core-CT for the specific pay period worked, that time can only be charged to the federal program that the PI knowingly certified.

The regulations contained within the OMB Circular A-21 state:

(10)(b)(2) Criteria for Acceptable Methods

(a) The payroll distribution system will (i) be incorporated into the official records of the institution; (ii) reasonably reflect the activity for which the employee is compensated by the institution; and (iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)

(b) The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations.

(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

The university believes that the State of Connecticut's Core-CT HRMS time reporting system coupled with the university policy contain more than sufficient controls and documentation to comply with OMB A-21 requirements. The university will, though, note the auditor's recommendation and institute a time and effort type reporting form for part-time employees whose wages are charged to federal programs. The effective date for this new process is estimated to be mid-March 2016."

Auditors' Concluding

Comments:

The university's response states that it will implement a new time and effort reporting system for part-time employees whose payroll costs are charged to federal programs. It appears that the university plans to address the time and effort reporting control concerns noted during our audit.