Contract & Grant User's Group

May 16, 2017

9:00 a.m. – 10:30 a.m.

UCR Alumni and Visitors Center

BFS – Business & Financial Services

A Division of Business & Administration Services (BAS)

UNIVERSITY OF CALIFORNIA, RIVERSIDE

BAS

BFS

Agenda

- Demo of New Salary Drilldown Functionality PR Certification and PIWRS (David Gracey/Bobbi McCracken)

- Cost Notes – Best Practices (Pauline Librenjak)

- Demo of ABS Aged Accounts Receivable Report (Pauline Librenjak)

- PAMIS New Award Processing (Linda Casteel)

- Fiscal Year Close - Accruals/Deferrals (Linda Casteel)

- Fund Overdrafts (Fred de Vera)

- Exceptional Cost Transfers (Pauline Librenjak)

- Update on PRC Audit (Bobbi McCracken)

- Asset Management System – Announcement and Implementation Schedule (Steve Staples)

- Questions

Demo of New Salary Drilldown Functionality in Certification and PIWRS

- Presented by David Gracey and Bobbi McCracken

Enhanced Salary Drilldown Functionality

- Recommended in PRC audit

- Available in PRC and PIWRS

- Allows the PI and Department Analyst to easily view the full salary distribution of employees paid from contract and grant funds across all funding sources

  - Many departments were creating similar reports

- Will be deployed soon

- Other enhancements under way

Payroll Certification (PRC) Cost Notes – Best Practices

- Presented by Pauline Librenjak

PRC Cost Note Review

- Cost Note 1:   NSF Sr. Project Personnel (defined as PI and CoPIs)– 2 month salary restriction (cumulative salary charged across all NSF projects per year)

- Cost Note 2:   EEs over 90% of their salaries charged to sponsored projects should only be involved in minimal non-sponsored project activities, like instruction, department committees, etc. The 90% is calculated based an employee`s total salary payments charged to ALL contract and grant funds for the reporting period divided by total salary for the reporting period.

PRC Cost Note Review

- Cost Note 3:   EEs associated with Clerical and Administrative title codes either met the federal exception criteria and exceptions are documented; or are student employees directly working on project activities exclusive of clerical/administrative tasks

- Cost Note 4:   EEs, paid at a rate in excess of NIH's approved rate, had their salary charges adjusted to comply with NIH's salary cap requirements. See Academic Personnel's website: http://academicpersonnel.ucr.edu/compensation/

PRC Cost Note Best Practices

When a cost note appears on a PRC, the report is highlighting an issue that needs to be reviewed to ensure compliance with award Terms &Conditions. The PIWRS Coordinator should take the following action:

- Review cost notes, related salary charges, and support documentation

- Ask the PI for additional information if necessary to explain situation

- Enter comments to explain the reason the cost is allowable or actions to be taken to resolve

- Upload supporting documentation

Demo of ABS Aged Accounts Receivable Report to be deployed to Campus Departments

- Presented by Pauline Librenjak

ABS Aged AR Report Features

- Transparency to the Campus on Contracts & Grants invoicing and receivables
  - Invoicing
  - Payment receipt and application
  - Unpaid invoices

- Ability to view invoices in detail

- Current report can be generated based upon the following criteria
  - Fund number
  - Prime PI's Net ID
  - Prime PI's department
  - Agency/Sponsor
  - Fund grouping

ABS Aged AR Report Features

- Report will age invoice balances –
  - 0-30
  - 31-60
  - 61-90
  - 91-120
  - 121-150
  - 151-180
  - 180+ days
- SAAs grants access to ABS via EACS:
  - "Inquirer" role
- ABS available under R'Space Authorized Applications
- A User Guide will be available

ABS Aged AR Report Features

Now for the DEMO

PAMIS New Award Processing

- Presented by Linda Casteel

New Award Processing Flow

RED

eAward record is established following receipt & acceptance of sponsor's agreement, IRB approvals, indirect cost exception approvals, etc.

ACCOUNTING

eAward documents & IDC exceptions are reviewed

Assign new fund or confirm existing fund

UCRFS fund attribute coding

New Fund added to UCRFS Golden Tree (allows for proper reporting of transactions and PAN)

DEPARTMENT

Review Terms & Conditions to ensure compliance

Prepare budgetary breakdown based on approved budget

Submits BEA

PAMIS New Award Processing

- All eAward records have an associated eCAF record

- Accounting processes awards in the order received in Accounting's eAward queue

- Fund numbers are assigned based on the sponsor category and type of award (refer to the Accounting office website for information on fund ranges: http://accounting.ucr.edu/funds/fundranges.html)

- Processing of PAMIS BEAs with a July 1st date will be delayed due to fiscal closing. The new year budget period 1 is scheduled to open July 12th. If this delay will negatively impact project related activities, please contact the Research and Economic Development Office and/or Extramural Funds. We will make every effort to accommodate critical needs.

PAMIS New Award Processing

eAward provides users the ability to identify the current process status of an award as well as view the processing history and award documents.

Navigation step 1

PAMIS New Award Processing

Navigation step 2

Search awards by

PAMIS Award Number: (contains)		PI Name (contains):	
Sponsor Award Number: (contains)		Agency Name (contains):	
Fund Code (starts with):	21123	UCR Activity Code:	
Award Status:	---- ⌄		
Award Activation Date: (Month / Year)	From ------ ⌄ ------ ⌄ To ------ ⌄ ------ ⌄		
Award Amount:	○ < ○ <= ○ = ○ >= ○ > $		

[Search] [Main Menu] [Clear] [View ORA / MANUAL Records]

Documents	View	Award Number	Status	Fund	Prime PI Name	Agency	Amount	Coder
📄	Fund BEA NOA	005807-002	Active	21123	Cynthia K. Larive	NATIONAL SCIENCE FOUNDATION	$466,257.00	MONTRICE

PAMIS New Award Processing

Example 1: Processing completed by all

PAMIS New Award Processing

Example 2: Incomplete processing (department BEA submission is pending)

Award 008841-002 (1)
Fund 57191
Award Information
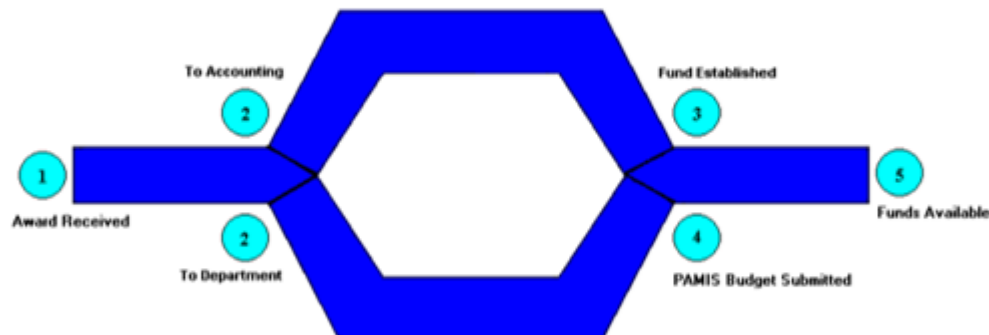
1. Award Received on	03/03/2017
2. Award Activated (email to Acct, Dept) on	03/28/2017
3. Fund Established on	04/04/2017

PAMIS Budget for PAMIS BEA # N/A

4. Submitted on	N/A
5. Funds Available on	N/A

Fiscal Year Close - Accruals and Deferrals

- Presented by Linda Casteel

Fiscal Year Close – Accruals and Deferrals

Year-end Considerations

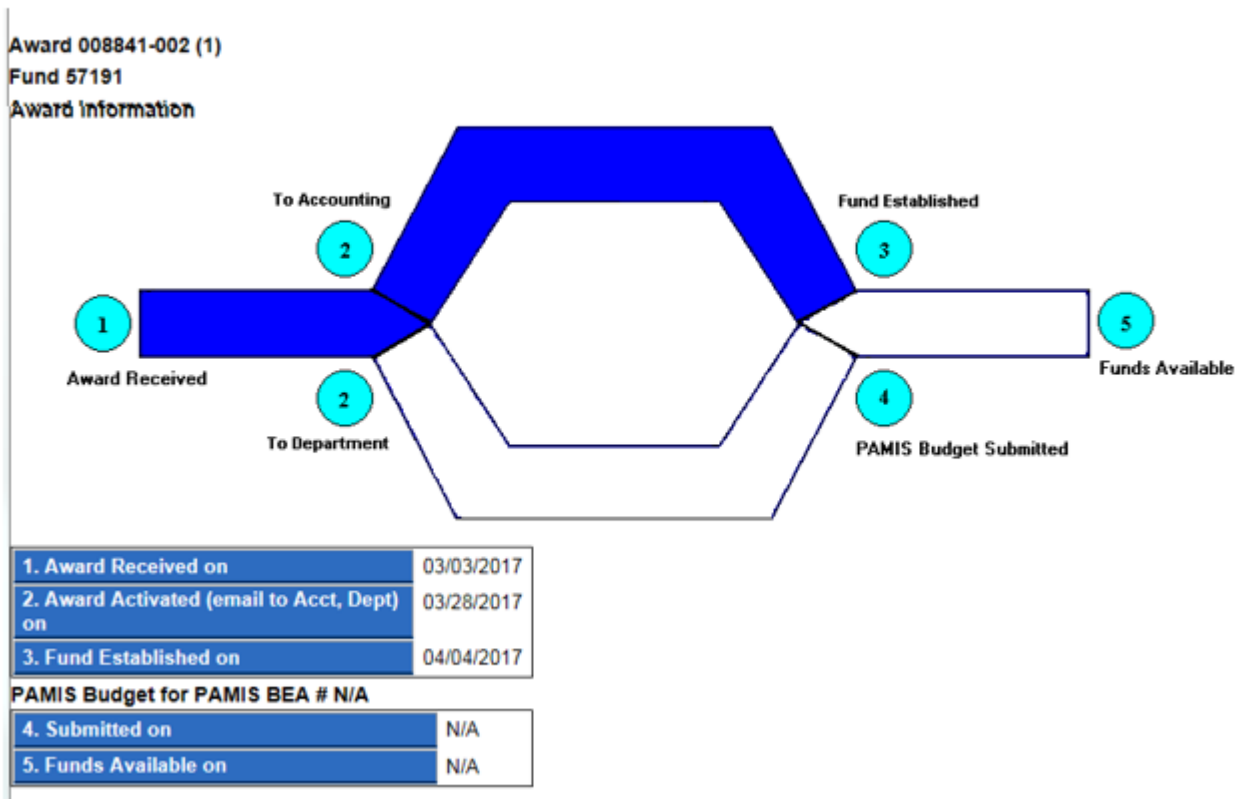- Approved invoices and payment requests submitted to the Accounting Office by the June 9th deadline to minimize the need for expense accruals.

- Review all contract and grant subawards now through June to confirm billing is up to date, check on the status of invoices pending PI approval, and/or request an invoice for any current year outstanding periods.

- Coordinate subaward accruals with Accounts Payable. Please send email directly to dorthea.ford@ucr.edu and copy aver.smith@ucr.edu (Accounts Payable Supervisor).

- Please contact the Accounting Office as soon as possible if a potential accrual or deferral has been identified after the July 5th deadline.

- Reminder—all expenditures must be incurred during the award's performance period. Payments for goods and services that will not be received until after the award end date are not allowable expenses. Prepaid travel expense and equipment orders should be carefully examined to ensure compliance.

Fiscal Year Close – Accruals and Deferrals

Accruals & Deferrals

To comply with Generally Accepted Accounting Principles (GAAP), expenses for goods and services should be recorded in the fiscal year received, and income for goods and services should be recorded in the fiscal year provided. In order to meet the fiscal year-end and financial reporting deadlines, accrual and deferral entries are processed based on materiality thresholds which are published in the year-end closing letter (http://accounting.ucr.edu/docs/general_accounting/fy2017-closingletter.pdf).

Materiality Thresholds

$10,000 – July 1 to 5

$25,000 – July 6 to 12

$50,000 – July 13 to 19

$75,000 – July 20 to July 31

$100,000 – Aug 1 to Aug 30

A complete accrual & deferral presentation is available on the Accounting Office website:

http://accounting.ucr.edu/general/index.html#fiscal

At times, unique or unusual situations can arise. We ask that you contact the Accounting office to discuss these instances after discussing with your department Financial Manager and/or CFAO.

FAQs

Question:
Are expense accruals processed for all material encumbrances?

Answer:
No. Encumbrances are used as a planning tool to show contractual commitments, predict cash outflow and avoid budget overspending. Encumbrances should not be used alone to substantiate an accrual entry. However, a review of outstanding encumbrances can be helpful in identifying items that might need to be accrued. Accruals should be processed if goods and/or services have been received by 6/30 <u>and</u> items received are in acceptable condition (e.g. PO terms & conditions are complete and there are no defective/damaged goods, etc.)

Fiscal Year Close – Accruals and Deferrals

Question:
How is an expense accrual journal entry reflected on the general ledger?

Answer:
The accrual entry will post with a 6/30 date (to record the expense in the appropriate fiscal year) and reverse with a 7/1 date in the new fiscal year. The invoices are processed for payment through normal process in the new fiscal year. The net effect is the charge appearing in the appropriate fiscal year.

Question:

Should an accrual be submitted for an $11,000 purchase of goods that was received in acceptable condition by 6/30, but the invoice was not received until 7/3?

Answer:

Yes, the goods were received in an acceptable condition by 6/30 and the item qualifies under the materiality threshold.
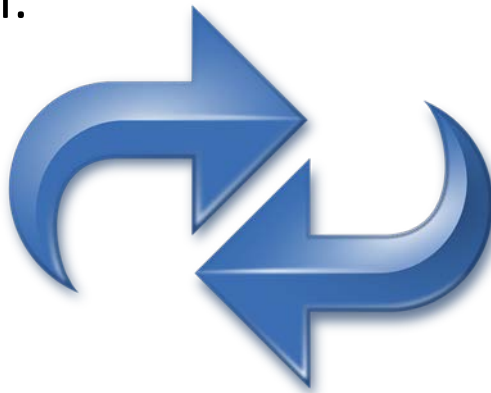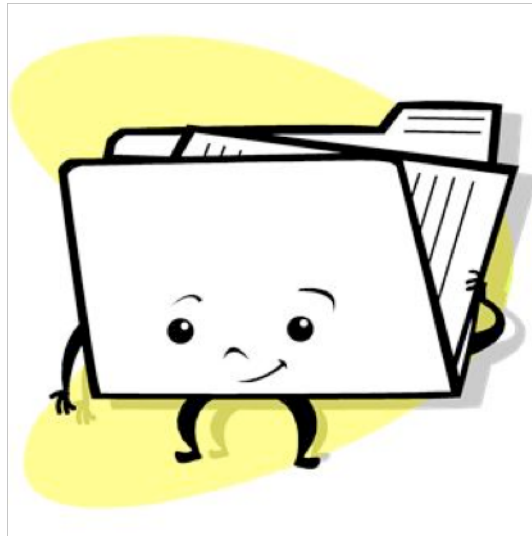
Fiscal Year Close – Accruals and Deferrals

Question:
Should a subaward invoice, meeting or exceeding the materiality threshold, be accrued if the PI is questioning the validity of the charges?

Answer:
No. However, the justification for not submitting an accrual must be documented.

Fund Overdrafts

- Presented by Fred de Vera

Fund Overdrafts

- UCR Policy Number 200-97 Ledger Review Guidelines state:

  Ledger Reconcilers should be examining recorded financial activity for overdrafts (and other requirements):

  "Overdrafts. Processes must be in place to avoid overdraft conditions; when overdrafts do occur, they must be promptly resolved."

- Although some campus systems prevent transactions that will cause deficits from occurring, departments should have processes in place to avoid overdraft conditions. Per BFB A-47, "to clear a overdraft" is not an acceptable reason to transfer expenses between federal funds.

Fund Overdrafts

Key Points:

1. Review & reconcile UCRFS ledgers **monthly.**

2. Monitor and track fund expenses closely, paying close attention to fund balances.

3. Don't wait until the fund expires to resolve deficits. Be proactive.

4. Be prepared to use an alternative unrestricted funding source to clear overdraft.

5. Office of the President, requires all C&G overdrafts to be cleared by fiscal year-end; credit expenditures in the new year are "red flags" to auditors.

6. In order for the fund to be in reportable condition and closed-out, overdrafts must be resolved.

Exceptional Cost Transfers

- Presented by Pauline Librenjak

Exceptional Cost Transfers

- Exceptions to the 120 day limit should be <u>rare</u> and require close coordination with Extramural Funds

- Special considerations must be given to transfers of cost <u>to</u> federal funds to ensure that the University action meets the administrative standards established by the federal government.

- If the expense is being transferred <u>to</u> a federal or federal flow-through account, it must be recorded in the general ledger within 120 days from the date the original charge posts to the ledger. Otherwise, the expense should be transferred to an unrestricted fund.

Exceptional Cost Transfers

- Exceptions must document the unavoidable circumstances requiring an adjustment to be made beyond 120 day limitation. It is the department's responsibility for fully explaining the unusual and unavoidable circumstances.

- Clearing an overdraft and/or staff shortages are not considered unavoidable circumstances.

- Non-payroll: NCT business rules will prevent cost transfers to federal funds in excess of 120 days. Paper forms with supporting documentation must be submitted and approved by CFAO.

- Payroll: Departments are responsible for complying with requirements on BFB A-47, providing supporting documentation, obtaining PI approval, and obtaining CFAO approval prior to entering into PPS. The Accounting Office will request support for review and audit purposes.
  - Note: The UCPath business rules will prevent cost transfers to federal funds in excess of 120 days

References

- Business & Finance Bulletin (BFB) – A47
  - http://policy.ucop.edu/doc/3420326/BFB-A-47

- Uniform Guidance 2 CFR, Part 200
  - https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards#sec-200

- UCOP Contract and Grant Manual – Cost Transfers (7-400)
  - http://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter7/chapter-7-400.html

- UC Learning Management System (LMS)
  - Review Cost Transfer On-line Training module

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Update on Payroll Certification Audit

- Presented by Bobbi McCracken

Payroll Certification Audit

- The full report and UCR's response is available at: https://oig.hhs.gov/oas/reports/region4/41301026.pdf

- When reading the report, reviewing UCR's original response to the audit report is recommended (UCR response starts on page 39 of the published report).

- Many of the report details are inaccurate, such as:
  - PI's can independently reclassify employees
  - Effort reports help identify pay in excess of 100%
  - Inappropriate charging of clerical and administrative salaries
  - PIs are not allowed to make changes
  - There was no evidence changes were made to payroll distributions
  - Cost transfers could result in costs being claimed twice

- Audit conducted under A-21 not the Uniform Guidance (UG); UG provides more flexibility in certifying salaries charged to federal funds

UCR's Rebuttal to Final Audit

- Additional information provided to the designated Action Official for consideration as part of the audit resolution process

- UCR will continue with PRC as allowed under the UG

- UCR believes PRC is more effective, efficient methodology than effort reporting

- PRC provides added benefits of reducing PI admin burden while enhancing internal controls (e.g. cost notes, certification statements, etc.)

UCR's Rebuttal to Final Audit

- UCR is implementing standardized campus-wide processes and documentation as part of deploying UCPath and our Shared Services

- Modifications to PRC and PIWRS as committed in our audit response

- UCR's PRC process is not substantially different than the pilot and other institutions

- UCR is confident the audit resolution process will clarify any misunderstandings, highlight the benefits of payroll certifications, and provide assurances about UCRs internal control environment

Asset Management System (AMS)

- Announcement & Implementation Schedule

What is the Asset Management System?

- Interim solution to replacement of the Equipment Management System (EMS)
- What are the reasons for replacing?
  - EMS is a 40+ year old IBM Mainframe system
  - User access and reporting are difficult
- What are the benefits?
  - Web based
  - Single sign-on (CAS)
  - Access assigned via EACS
  - R'Space Authorized Applications
  - Increased transparency and easier access to information
  - Integration with FMS
  - Ability to add attachments

What is the Asset Management System?

- What are the functions of the system?
  - Campus wide database of inventorial equipment records
  - Ensure compliance with federal regulations
  - Generate information for property close-out reports
  - Processes departmental request for equipment dispositions and transfers
  - Verify and track departmental completion of annual equipment inventories
    - annual verification
    - biennial physical inventory verification

Equipment Management System (EMS)

Asset Management System (AMS)

AMS Phase Implementation

Phase 1:

- R'Space application
- EACS roles: Transactor/Custodian and Inquirer
- Inventories associated with the Accountability Structure (not Custodial Codes)
- Ability to perform and track required inventory verifications
- Ability to add attachments
  - Photos
  - Documents (PDF's, Word, Excel)
- Advanced Search
  - Exportable to Excel document

Phase 2:

- Additional roles and functions

Phase 1 Deployment Dates & FY2017 Inventory

- Training Sessions: TBD
- Tuesday, May 30th
  - Department user <u>edit</u> access to the EMS will be revoked and any pending EIMR request will be transferred and deleted.
- Thursday, June 1st
  - Anticipated deployment date for the new AMS and User guide available.
- Friday, June 23rd
  - Due date for mandatory verifications for the annual equipment inventory (annual verification and/or biennial physical inventory verification).

Dates are subject to change, further announcements on deployment schedule to follow in upcoming weeks

FY2017 Equipment Inventory

- Department SAA's will need to designate the Transactor/Equipment Custodian role as soon as possible following AMS deployment
- New Requirements for the Equipment Inventory Verification process in AMS:
  - The following fields must be complete prior to verification
    - Location of asset (based on Facility Management System)
      - Site
      - Building
      - Floor
      - Room
    - Serial No.
- Auditable record of equipment confirmation is created upon verification

Questions / Feedback

At this time, questions regarding the AMS or the FY2017 inventory verification process can be directed to:

> *Steve Staples, Equipment Manager*
>
> *steven.staples@ucr.edu*
>
> *951-827-4209*

Note: A new group email will be established for deployment.

Thank you for attending today's
C&G Users Group Meeting.

A brief survey on today's presentation can be found here:
http://www.surveygizmo.com/s3/3566909/C-G-Users-Group-Feedback-5-16
Your feedback is greatly appreciated.

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Appendix: Payroll Certification Audit
Recommendations and Responses

HHS OIG Recommendations

Recommendation #1: Audit did not require UCR to return to effort reporting. If effort reporting used, UCR must adequately account for non-sponsored activities.

UCR's Response: UCR repeatedly requested an open dialog on this item as outlined in our published response. Per A-21: *"Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented."*

HHS OIG Recommendations

Recommendation #2: Ensure suitable means exist for PI to verify salary charges

UCR's Response: UCR outlined the features of our comprehensive proposal and award management information system and related internal controls in our draft audit response. UCR's PRC system is not intended to be a stand-alone tool to determine reasonableness.

Financial reports are readily available to the PI to review monthly salary charges; department contract and grant analysts review activity and regularly meet with PIs; and monthly department ledger reconciliations are required and documented.

PI's salaries are not required to be charged to awards.

Voluntary, uncommitted cost sharing is not required to be documented.

Based on feedback received in the draft audit report, additional payroll details will be made available in PRC.

HHS OIG Recommendations

Recommendation #3: Ensure salary charges represent actual work performed and not just budget estimates

UCR Response: Circular A-21, § J.10.b(1)(c) (and the Uniform Guidance) recognizes that *"in an academic setting, teaching, research, service, and administration are often inextricably intermingled and that a precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate."*

Evidence was provided showing payroll distributions were revised.

HHS OIG Recommendations

Recommendation #4: Document prior approval and justification for adjustments made after grant expenditures are reported to Federal Government

UCR Response: In a decentralized environment, documentation can be inconsistent.

- The majority of at-risk items note were associated with effort reporting.

- PRCs were not missing, but rather it was a timing issues associate with the PRC annual cycle. PRCs are based on when transactions post to the general ledger; cost transfer processed within the allowable period, but after the generation of a PRC will be reflected in the next annual cycle.

HHS OIG Recommendations

Recommendation #5: Document prior approval and justification for charging administrative and clerical salaries

UCR Response: The auditors took an extreme view that any indication of administrative or clerical activity warrants questioning an entire salary charge.

- Several of the "administrative" salaries questioned related to individuals that held positions approved by the awarding agency or prime grantee, performed technical and programmatic work, and/or were academic appointments.

- The one true clerical position charged to HHS funding was outlined in the budget and the budget justification was approved; the project met the definition of a major project and was supported by the information provided to HHS-OIG during the course of the audit.

HHS OIG Recommendations

Recommendation #6: Document prior approval and justification for cost transfers.

UCR Response: UC policies, UCR procedures, and training clearly outline cost transfer requirements. In a decentralized environment, documentation can be inconsistent. With the implementation of UC's common payroll system (i.e. UCPath), cost transfers will be handled via Shared Services with standard documentation requirements and automated business rules.

HHS OIG Recommendations

Recommendation #7: Develop payroll procedures to ensure salaries properly allocated and charges do not exceed 100%

UCR Response: As outlined in our original draft audit response, UCR has preventive and detective controls in our payroll system to prevent employees from receiving more than 100% of their salary. UCR departments reconcile amounts paid to employees to the general ledger on a monthly basis. Amounts claimed on Federal Financial Reports (FFR) are reconciled to the general ledger.

HHS OIG Recommendations

Recommendation #8: Follow federal requirements for supporting payroll costs claimed

UCR Response: UCR adheres to federal requirements.

- Cost are not claimed more than once. FFRs reconcile to the general ledger. As discussed in recommendation #3, precision of the PRC (or effort report) is not expected and a degree of tolerance is appropriate.

- Errors sited relate to limitations of the effort reporting system (related to recommendation #4); these situations are addressed in the PRC.

- PRC completion rate is 100%.

HHS OIG IT Recommendations

Recommendation # 9-12:

- Improve restrictions for remote access (IT)

- Implement password setting that requires password changes periodically (IT)

- Implement patch management system for desktop computers (IT)

- Implement procedures to ensure vendor support does not expire on operating systems (IT)

UCR Response: There was a differences in opinion regarding "best practices." The auditors did not consider the totality of UCR's cybersecurity environment that utilizes a risk based methodology and a myriad of preventative/responsive technical and non-technical approaches to optimize campus information technology security.