

# Time and Effort Considerations

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## NSF At-a-Glance

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- o Independent federal agency created by Congress in 1950, with an annual budget of \$6.06 billion
- o Funds approximately 20 percent of all federally supported basic research conducted by America's colleges and universities
- o Each year, supports an average of about 200,000 scientists, engineers, educators and students at universities, laboratories and field sites all over the United States and throughout the world, from Alaska to Alabama to Africa to Antarctica.
- o Provides funds for large-scale equipment used by scientists and engineers to conduct research
- o Provides training grants to teachers and students at all levels for continued development of the nation's science and engineering workforce



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## NSF At-a-Glance (cont.)

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- o NSF is divided into 7 directorates and 5 offices that support science and engineering research and education
  - o Directorates/Offices correspond to CFDA program titles
  - o Generally, NSF funds all types of scientific research other than military and medical
  
- o Unless specifically noted otherwise in the award agreement, *all* NSF awards support research and development, and should be included in the R&D cluster.
  - o Exceptions – Post-doc fellowships, visiting professorships



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## Time & Effort Reporting

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- o Requirements
  - o OMB Circular A-110
  - o OMB Circular A-21
  - o University Policies and Procedures
  
- o Results of recent NSF-OIG audits on Time and Effort Systems at universities
  
- o A-133 audit considerations



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## OMB Circular A-110 (2 CFR 215)

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- o Section .21(b) – Recipients’ financial management systems shall provide:
  - o Accurate, current and complete disclosure of financial results
  - o Records that identify adequately the source and application of funds
  - o Effective control over and accountability for funds, property, and other assets
  - o Comparison of outlays with budget amounts for each sponsored agreement
  - o Written procedures for cash management
  - o Written procedures for determining the reasonableness, allocability, and allowability of costs
  - o Accounting records that are supported by source documents.



## OMB Circular A-21 (2 CFR 220)

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- o A.2.d – Sound management practices
- o A.2.e – Accounting practices must support the accumulation of costs, and must provide for adequate documentation to support costs charged to awards.
- o C.4.d(1) – Costs charged to award are allowable, allocable, and reasonable



## OMB Circular A-21 (2 CFR 220) (cont.)

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- o J.10.b(2) – Criteria for Acceptable Payroll Distribution System
  - o Incorporated into the official records of the institution; reasonably reflect the activity for which the employee is compensated; and encompass both sponsored and all other activities on an integrated basis.
  - o Must recognize the principle of after-the-fact confirmation so that costs distributed represent actual costs
  - o Allows for confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs
  - o Accounts for significant changes to budgeted/estimated workload distribution
  - o Provides for independent internal evaluations to ensure the system's effectiveness and compliance with standards



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## OMB Circular A-21 (2 CFR 220) (cont.)

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- o J.10.b(c) – Examples of Acceptable Methods for Payroll Distribution
  - o (1) Plan-Confirmation
  - o (2) After-the-fact Activity Reports
  - o (3) Multiple Confirmation Records



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## OMB Circular A-21 (2 CFR 220) (cont.)

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- Plan-Confirmation
  - Establishes system of budgeted, planned, or assigned work activity which encompasses both sponsored and all other activities on an integrated basis.
  - Documents any significant changes to work activity assignments during the year
  - Provides (at least annually) a statement signed by the employee, PI, or other responsible official, confirming that the employee's work activities were performed
    - Also states that salaries charged to sponsored agreements and F&A costs are reasonable in relation to work performed



## OMB Circular A-21 (2 CFR 220) (cont.)

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- After-the-Fact Activity Reports
  - Reflect the distribution of actual work performed by each employee
  - May be made based initially on estimates, but must be promptly adjusted if significant differences in work assignments are indicated
  - Reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs
  - Include a statement signed by the employee, PI, or other responsible official, confirming that work activities were actually performed
  - Professorial and professional staff reports must be prepared each academic term (at least every 6 months)
  - Other employees' reports must be prepared at least monthly and coincide with one or more pay periods
  - Time cards or other payroll documentation may be used for reports, as long as documents meet other requirements of this section



## OMB Circular A-21 (2 CFR 220) (cont.)

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- Multiple Confirmation Records
  - Separate confirmations for direct versus F&A time
    - Records may be maintained jointly, but certifications are separate
  - The record for each employee will include:
    - Signature of the employee or of a person having direct knowledge of the work performed, confirming that the report accurately reflects the allocation of costs to each sponsored agreement
    - Signature of responsible person confirming that the work was performed and is consistent with the overall distribution of the employee's compensated activities
    - One document may contain both signatures
  - Reports prepared each academic term (at least every 6 months)



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## University Policies & Procedures

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- Written and widely disseminated
- Identifies Payroll Distribution Method
- Defines who is a certifying official
- Defines "significant change" from estimated effort levels ("precision")
- Defines procedures for ensuring "timely" reports
- Provides for "Independent Internal Evaluations" of payroll distribution system



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## Results of Recent NSF-OIG Audits

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- On-going series of 30 audits of University time & effort distribution systems
- 6 reports issued to date
  - 06-1-010: University of Pennsylvania
  - 07-1-013: California Institute of Technology
  - 08-1-002: University of Utah
  - 08-1-004: University of California, Berkeley
  - 08-1-005: University of Illinois at Urbana-Champaign
  - 08-1-010: University of California, San Diego
- [www.nsf.gov/oig/pubs](http://www.nsf.gov/oig/pubs)



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## Results of Recent NSF-OIG Audits (cont.)

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- Audit Objectives
  - Review the university's internal controls for ensuring that labor costs charged to NSF:
    - Were actually incurred
    - Benefited NSF awards
    - Were accurately and timely recorded and charged to NSF
    - Were for allowable and allocable-type activities
  - Evaluate whether the level of PI effort pledged in award documents corresponded to the effort actually contributed to accomplish award objectives
  - Determine whether salaries and wages charged to NSF awards were allowable, allocable, and reasonable



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## Results of Recent NSF-OIG Audits (cont.)

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- Common Audit Findings
  - Lack of verification of actual effort by person with first-hand knowledge
  - Lack of timely verification
  - Independent internal evaluations not conducted
  - Lack of policy to define precision of effort estimates (defines “significant change”)
  - Delay in recording significant changes
  - Voluntary committed cost sharing not accounted for in payroll systems



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## A-133 Audit Considerations

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- Review policies for Distribution Method, timeliness and precision milestones, and definition of “certifying official”
- Review results of internal evaluations (if none, consider whether this should be a finding)
- Review appointment letters and awards for estimated effort levels and base salaries
- Evaluate timeliness, accuracy, AND whether person certifying effort had first-hand knowledge of employee’s activities
- Compare actual effort to estimates, and determine whether adjustments were made in accounting system for “significant changes”
- Consider interviewing sampled employees



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# Questions?



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## Contact Information

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