

## **Audit Corner: NSF OIG Releases Another Payroll Distribution Audit**

From time to time, *Federal Grants News* reports on various federal audits, including those undertaken by the National Science Foundation's Office of Inspector General (NSF OIG) of payroll distribution or effort certification. The most recently released of these audits was the NSF OIG's review of the University of Utah's system. That audit found the university's Personal Activity Reports (PARs) to be supportive of payroll costs made to NSF grants, but that certain enhancements were necessary to make the system fully compliant.

Specifically, the audit report recommended that the university establish formal procedures and processes for timely submission of the PARs, define "significant changes" in effort, establish "tolerance" thresholds for certification, define "suitable means of verification," and perform a comprehensive evaluation of the PAR system.

### **Timeliness of PAR Certs Scrutinized**

Significant attention in the audit was given to the timeliness of the PAR certifications. While the university's policy provided a 30-day certification period, a substantial number of the certifications were made well beyond the 30-day period. The report noted that timeliness is important to make certain that payroll charges are reliable; the longer the certification is made beyond the reporting period, the greater the likelihood that reliability could be questioned.

The audit also criticized the institution's redistribution of payroll during the certification period; such redistributions, it stated, should be made prospectively, not retrospectively.

In addition, the university should define an acceptable level of tolerance between certified labor and actual effort in order to determine whether any payroll adjustments are necessary once certification has taken place. The audit cited a March 2007 Council on Governmental Relations report referencing a 1979 federal interpretation that stated, "As a general rule of thumb, a change applicable to a given project or activity of 5% or more of an employee's total effort would warrant an adjustment by the employee or the official."

Lack of independent internal evaluations of the university's payroll distribution, as required by OMB Circular A-21, also was tagged as a deficiency. Like many institutions, the university believed that its annual A-133 audit provided that evaluation and satisfied the requirement, but NSF OIG stated that the A-133 audit was not sufficient.

## **ELECTRONIC ROUNDUP**

**USDA/CSREES Grants Management Update.** The U.S. Department of Agriculture (USDA) Cooperative State Research, Education, and Extension Service (CSREES) has recently updated its Grants Management FAQ. Included in the FAQ is information regarding payments, project changes, financial reporting, and CSREES contacts. **Link:** [www.csrees.usda.gov/home/faq\\_grant\\_management.html](http://www.csrees.usda.gov/home/faq_grant_management.html).

**ARO Grant Guidance.** The most recent funding opportunity and grant administration guidance, including reporting forms, from the Army Research Office (ARO), U.S. Army Research Laboratory is now posted. **Link:** [www.arl.army.mil/www/default.cfm?Action=29&Page=218](http://www.arl.army.mil/www/default.cfm?Action=29&Page=218).

**NIH Notice of Legislative Mandates.** The National Institutes of Health (NIH) has published its annual notice of legislative mandates. Included on the list are those that are ongoing, such as the continued salary limitation (salary rate capped at \$191,300, Federal Executive Level I, for fiscal year 2008), anti-lobbying, restrictions on the distribution of sterile needles, acknowledgement of federal funding, restriction on abortions, ban on funding human embryo research, and limitation on use of funds for the promotion of the legalization of controlled substances. New to the list are the NIH Public Access Requirements (see *Federal Grants News*, February 2008), prohibition against disseminating false or deliberately misleading scientific information (which is already prohibited in the Public Health Service Policies on Research Misconduct), and the restriction of employment of unauthorized alien workers. **Link to the Feb. 11 announcement:** <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-08-041.html>.

The university agreed in general with the audit results but disagreed on findings relating to imputing salaries for the uncompensated principal investigator labor effort.

As with most audit reports, the higher education community can learn something from these findings. Perhaps the most important lesson from this audit report is the need to have definitive written policies and procedures with respect to effort certification and to judiciously follow them. The report can be found on the NSF OIG Web site at [www.nsf.gov/oig/pubs.jsp](http://www.nsf.gov/oig/pubs.jsp). ♦