

# Earth & Space Sciences

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## ESS Audit Issues Feb 2007 memo

In July, 2006, ESS was informed that we were going to be audited due to excessive retroactive salary and expenditure transfers in grant budgets. The audit was recently completed.

The following are areas that need improvement:

1. transfers between 'parent' and sub-budgets for fabrication costs
2. transfers between grant budgets
3. large deficits on grant budgets
4. late submission of FECs

### TRANSFERS BETWEEN 'PARENT' AND FABRICATION SUB-BUDGETS:

In the past, projects with fabrication expenditures were assigned a single budget. Each quarter, PIs identified expenditures related to fabrication. Documentation was submitted to transfer these costs to the equipment budget line. Because equipment is excluded from indirect cost, once the transfers were completed, the indirect costs budget was reduced and re-budgeted to another line item resulting in more funds available to spend.

This procedure has changed. For projects that reflect fabrication in the proposal, two budgets are established: one for the 'parent' which is subject to the negotiated indirect cost rate and a sub-budget for fabrication costs which is exempt from indirect costs. Fabrication sub-budgets cannot be established unless the budget in the proposal reflects a budget for fabrication. Expenditures related to fabrication should be charged directly to the fabrication budget when they occur.

There may be rare occasions when transfers between the parent and fabrication sub-budget are necessary but they are exceptional and have to be well-documented and justified. A significant change in fabrication expenditures from the original budget may require approval from the granting agency.

### TRANSFERS BETWEEN GRANT BUDGETS:

These are covered by OMB A-21 (Office of Management and Budget circular, section c.b4) and GIM 15 (Grants Information Memorandum no. 15):

"any costs allocable to a particular sponsored agreement ... may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience."

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The procedure for establishing Advance Budget Numbers is covered in the department's Grant Proposal Information Guide on the ESS website. OSP will not establish an advance budget without documentation that an award has been approved (a conversation with a program officer is not sufficient). An advance budget carries a risk to the department (expenditures will have to be covered by department funds if the award is not received on a timely basis) and must be approved by the department chair.

## **LARGE DEFICITS ON GRANTS BUDGETS:**

Each month, the department receives a "deficit report" listing all budgets that are in deficit. The department is required to promptly resolve the deficits. The balances reported on these reports are sometimes deceptive and look worse than they really are as in the case of parent and sub-budgets - the fabrication budget is in deficit but there are sufficient funds in the parent budget to offset the deficit (this isn't obvious because only deficits show up on the deficit report). Unfortunately, this doesn't help us much because our explanation to one problem just points out a deficiency in another area – expenditures between the parent and fabrication budget should be charged to the appropriate budget so there aren't deficits in the fabrication budget.

## **LATE SUBMISSION OF FEC'S:**

This issue was documented on an earlier audit and while there has been some improvement, past due reports are reflected on the monthly FEC reports received by the department. Faculty effort certification is a federal requirement imposed on the University. Please respond quickly when FEC reports are distributed.

All of these are easily corrected by following the appropriate established procedures and will eliminate the retroactive salary and expenditure transfers that caused us to be targeted for an audit.

A couple of reminders:

- Travel is no longer allowed on fabrication budgets and therefore, is subject to indirect costs
- Requests for re-budgeting of more than 10% of the total grant budget requires granting agency approval (we'll need documentation from the funding agency to accompany the request for re-budgeting)

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