

## **Payroll Expenditures**

### **Finding:**

*According to the University of Houston's (University) effort reporting policy, employees must certify their time and effort reports in accordance with a quarterly schedule published in the policy. For 29 (69 percent) of 42 payroll transactions tested, the University did not certify time and effort reports within the required time period.*

### **Corrective Action:**

The University has purchased a new software system, MAXIMUS, for effort reporting. The Go-live date was September 1, 2015. The effort reports for Quarter 2 (Dec 2014 – Feb 2015) and Quarter 3 (Mar 2015 – May 2015) have been released for verification and certification and are due on October 30, 2015. The effort reports for Quarter 4 (Jun 2015 – Aug 2015) will be released on November 1, 2015 and will be due on January 31, 2016. Additionally, the University has hired a dedicated staff to coordinate the effort reporting process with regards to training, distribution, review, and collection of the effort reports to ensure that they are completed on time.

The University policies have been updated with the published due dates for effort reporting. In addition, the University has provided initial training on the use of the new system and continues to provide ongoing training to ensure that the University remains in compliance. The link to the training materials can be found at <http://www.uh.edu/research/compliance/effort-reporting/effort-reporting-training/>

## **Direct Costs (Non-payroll)**

### **Finding:**

*Four (5 percent) of 74 direct cost transactions tested at the University were unallowable. Three of those transactions were for meals and alcohol that were charged to federal awards that did not allow or specifically disallowed those types of expenditures; the fourth transaction was for an unallowable late payment fee. The University corrected all of those errors; therefore, there were no questioned costs.*

### **Corrective Action:**

The University has identified a set of account codes that represent expenditures that may not be allowed on federal grants. When a voucher, requisition, or journal is saved in the financial system that contains one of these accounts and is assigned to a federal grant, a warning message appears so that the user is alerted to the fact that the expenditure may be unallowable. The message advises the user to route the document through the Office of Contracts and Grants for review if they choose to continue with the transaction. The warning message appears at each level of approval, so the final approver (Accounts Payable, Purchasing, or General Accounting) will return the document to the user if the Office of Contracts and Grants has not reviewed and approved it. Additionally, the University has updated the guidance on its website to include a list of expenditures by account code that are not usually allowed on federal grants. The information can be found at <http://www.uh.edu/finance/pages/References.htm>

## **Payroll Salary Restrictions**

### **Finding:**

*The University does not have effective controls to help ensure that it limits the salaries charged to NIH grants.*

*The University performs a quarterly analysis to determine whether employees on NIH grants charge less than the monthly salary cap amount to the grant. However, the University does not consider the percentage of effort that each employee spends on a grant when it performs that analysis. Auditors*

*tested the first and second quarters of fiscal year 2014 and identified salary costs for five employees totaling \$9,875 that were overcharged to six NIH awards as a result of that error. Auditors were not able to test the third and fourth quarters of fiscal year 2014 because of the time and effort delays discussed above that resulted from the University's implementation of a new timekeeping system.*

**Corrective Action:**

The University has purchased a new software system, MAXIMUS, for effort reporting. The Go-live date was September 1, 2015. The new system has an indicator that will flag any DHHS awards that are subject to the cap. Employees that perform effort on the awards, which are subject to the salary cap, must make sure that they have accounted for the salary cap. In addition, the central administrator (CA) has access to a salary cap report that will show any salary over the cap. This report is run after the general ledger has officially closed each month. The CA will then notify the certifier and department coordinator of the salary cap and make the necessary adjustment.