

with changes in enrollment levels. The query did not always return the correct status type or effective date for a status change.

- The University did not accurately report to NSLDS one student who graduated in the Fall term and subsequently enrolled in a new program in the Spring term. The University reported that student's graduated and enrollment status to NSC; however, NSC did not report the graduated status correctly to NSLDS. The University does not have a control to ensure that the information it reports to NSC is subsequently submitted to NSLDS.

Not reporting changes and effective dates accurately and completely could affect the determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Corrective Action:

This finding was reissued as current year reference number 2016-131.

Reference No. 2014-141

**Activities Allowed or Unallowed
Allowable Costs/Cost Principles**

**Research and Development Cluster
Research and Development Cluster – ARRA
Award years – See below
Award numbers – See below
Type of finding – Significant Deficiency and Non-Compliance**

Payroll Expenditures

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months (Title 2, Code of Federal Regulations (CFR), Section 220, Appendix A (J)(10)).

Initial Year Written:	2014
Status:	Partially Implemented
National Aeronautics and Space Administration	
National Endowment for the Humanities	
National Science Foundation	
U.S. Department of Defense	
U.S. Department of Education	
U.S. Department of Energy	
U.S. Department of Health and Human Services	

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. Specifically:

- For 19 payroll transactions, the due date for time and effort certifications had passed and the University had not completed those certifications. All 19 of these transactions occurred within the third and fourth quarters of the certification year. According to the University, the third and fourth quarter time and effort certifications were delayed because of the implementation of a new timekeeping system.
- For 6 payroll transactions, the University completed time and effort certifications, but the principal investigator signed those certifications between 107 and 228 days after the certification due date in the University's policy. Those transactions occurred within the first and second quarters of the certification year.

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- For 3 payroll transactions that occurred in the first and second quarters of the certification year, the time and effort certification was signed but not dated; therefore, auditors could not determine whether the certifications were completed prior to the due date in the University’s policy.
- For 1 payroll transaction, the time and effort certification for the third quarter was not signed by the principal investigator.

A prolonged elapsed time between activity and certification of the activity can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments to that distribution.

Payroll Salary Restrictions

Every year since 1990, the U.S. Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under a National Institutes of Health (NIH) grant. The amount of direct salary to executive level II of the federal executive pay scale was restricted to \$179,700 from December 23, 2011, through January 11, 2014. The executive level II salary restriction increased from \$179,700 to \$181,500 effective January 12, 2014 (NIH Notice Number NOT-OD-14-052).

The University’s research effort reporting policy states that, in instances in which federal regulations do not allow for salaries in excess of statutory or regulatory salary caps, the amount of a faculty member’s salary to be charged to a grant is determined based on the percentage of effort to be devoted to the grant.

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.

The following awards were affected by the payroll expenditures issues discussed above:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
12.300	Basic and Applied Scientific Research	N00014-13-1-0543	May 1, 2013 to April 30, 2016
43.001	Science	T72314	May 1, 2013 to September 30, 2014
47.041	Engineering Grants	ECCS-1102195	September 1, 2011 to August 31, 2015
47.041	Engineering Grants	ECCS-0926006	September 1, 2009 to August 31, 2014
47.049	Mathematical and Physical Sciences	CHE-0956127	October 1, 2010 to September 30, 2015
47.049	Mathematical and Physical Sciences	CHE-1213646	August 15, 2012 to July 31, 2015
47.070	Computer and Information Science and Engineering	IIS-1111507	January 1, 2014 to December 31, 2014
47.074	Biological Sciences	DEB-1253650	April 1, 2013 to March 31, 2018

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CFDA No.	CFDA Title	Award Number	Award Year
47.080	Office of Cyberinfrastructure	OCI-1148052	September 1, 2013 to May 31, 2015
81.000	Department of Energy	DE-EE0005806	September 1, 2012 to February 28, 2015
81.049	Office of Science Financial Assistance Program	DE-SC0006771	September 15, 2011 to September 14, 2015
81.049	Office of Science Financial Assistance Program	DE-FG02-07ER41521	November 15, 2013 to November 14, 2014
81.049	Office of Science Financial Assistance Program	DE-SC0008073	July 1, 2012 to June 30, 2015
81.105	National Industrial Competitiveness through Energy, Environment, and Economics	1452262	May 6, 2014 to September 1, 2014
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	DE-OE0000485	July 1, 2010 to December 30, 2014
81.135	Advanced Research Projects Agency - Energy	DE-AR0000196	January 1, 2012 to June 30, 2015
84.305	Education Research, Development and Dissemination	R305A090555	July 1, 2009 to June 30, 2014
84.305	Education Research, Development and Dissemination	UTA10-000725	July 1, 2010 to June 30, 2015
84.324	Research in Special Education	R324C08006	July 1, 2008 to June 30, 2014
93.121	Oral Diseases and Disorders Research	3R01DE022676-02S1	September 1, 2012 to August 31, 2014
93.173	Research Related to Deafness and Communication Disorders	1R03DC012640-02	August 1, 2013 to July 31, 2016
93.242	Mental Health Research Grants	1R01MH097726-01A1	September 13, 2013 to July 31, 2014
93.273	Alcohol Research Programs	1R21AA020572-02	September 5, 2011 to June 30, 2014

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<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
93.310	Trans-NIH Research Support	5R01CA174385-02	September 19, 2012 to June 30, 2016
93.398	Cancer Research Manpower	1K01CA151785-01	February 1, 2011 to August 31, 2015
93.535	Affordable Care Act (ACA) Childhood Obesity Research Demonstration	5U18DP003350-03	September 29, 2011 to September 29, 2014
93.865	Child Health and Human Development Extramural Research	4R00HD061689-03	September 1, 2013 to August 31, 2014
93.866	Aging Research	5R01AG039836-04	September 15, 2011 to May 31, 2015
93.867	Vision Research	5P30EY007551-27	July 1, 2014 to June 30, 2015

The following awards were affected by the payroll salary restriction issues discussed above:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Costs</u>
93.103	Food and Drug Administration Research	FDAHHSF2232009	August 1, 2013 to December 31, 2013	\$ 64
93.172	Human Genome Research	5U01HG006507-02	December 1, 2012 to November 30, 2013	417
93.279	Drug Abuse and Addiction Research Programs	R21DA029811	September 1, 2011 to February 28, 2014	5,890
93.867	Vision Research	5R01EY008128-24	February 1, 2010 to January 31, 2015	335
93.867	Vision Research	5R01EY001139-37	September 30, 2012 to August 31, 2017	1,893
93.867	Vision Research	1R01EY019105-04	April 1, 2009 to March 31, 2014	<u>1,276</u>
Total Questioned Costs				<u><u>\$ 9,875</u></u>

Recommendations:

The University should:

- Certify after-the-fact time and effort reports in a timely manner according to its policy.
- Include the percentage of effort that each employee spends on a grant when it performs its NIH salary limits analysis.

Views of Responsible Officials and Corrective Action Plan 2014:

We are currently implementing MAXIMUS software for effort reporting, to help ensure that after-the-fact time and effort reports are completed in a timely manner. This software will also help ensure that the percentage of effort each employee spends on a sponsored project is considered when computing NIH salary limitations. We acknowledge that the five salaries charged to the NIH grants were over the monthly cap; however, only one of the salaries was not within the allowed variance per the University policy.

To help prevent unallowable costs from posting to sponsored projects in the future, we will modify our financial system to generate a warning message when specific unallowable expenditure accounts are used on federal fund cost centers.

Views of Responsible Officials and Corrective Action Plan 2015:

Payroll Expenditures

The University is in the testing phase of the MAXIMUS software implementation. Hands-on training by the MAXIMUS team and the Office of Contracts and Grants (OCG) was completed on July 8, 2015 for both staff and faculty members that will be using the software. The roll-out date was September 1, 2015 for Quarter 3 of FY2015 reporting. To manage this effort, the University has hired a dedicated staff to coordinate the effort reporting process with regards to training and overseeing the process in general. The new electronic system tracks re-certification so that the date of the original certification is recorded to account for timing of the certification. The electronic system would also eliminate the error of the certification being signed but not dated. To address the issue of late certifications after the certification due date in the University's policy, the University has updated its policy with due dates that better align with the central university's practices and processing for payroll and payroll corrections.

Payroll Salary Restrictions

The calculation worksheet and method used by the University for the DHHS salary cap considers the percentage of effort that each employee spends on a grant when it performs the Salary Cap Analysis. However, the University did not revise the effort or remove the payroll amount over the cap on the DHHS award where the amount did not exceed the 5% variance as outlined in the its effort reporting policy. We now understand that for the NIH cap a variance is not allowed and have updated our practice to verify effort with the researcher and adjust payroll or effort as needed before certification. In addition, the new MAXIMUS effort reporting system flags the DHHS awards and displays the difference between committed or reported effort and actual payroll effort based on the cap for easy verification and correction.

Views of Responsible Officials and Corrective Action Plan 2016:

Payroll Expenditures

The University has completed the MAXIMUS software implementation and training for effort reporting. The effort reporting policy will be updated to reflect that the deadline for after-the-fact effort reporting is 90 days after the last reporting period of the federal grant, which is consistent with the University's policy for expenditure corrections.

Payroll Salary Restrictions

Payroll for employees with monthly salary above the executive level II of the federal executive pay scale that receive salary from a NIH grant, or other PHS grant subject to the cap, is reviewed monthly by the Office of Contracts and Grants. Corrections are made if the amount charged is above the salary cap as it relates to the amount of effort reported. The effort reporting guidelines have been updated to ensure that when two caps exists in a reporting period both caps are considered when calculating the amount that is charged to the federal grant for effort reporting.

Implementation Date: May 2017

Responsible Persons: Beverly Rymer and Grace Rosanes

Direct Costs (Non-payroll)

Allowable costs charged to federal programs must (1) be reasonable; (2) be allocable to sponsored agreements; (3) be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (4) conform to any limitations or exclusions set forth in cost principles or in the sponsored agreement as to types or amounts of cost items (Title 2, CFR, Section 220, Appendix A, C.2).

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.

The following awards were affected by the issues discussed above in which the University charged unallowable costs:

<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>
43.000	National Aeronautics and Space Administration	NAS 9-02078	November 28, 2011 to June 30, 2014
45.129	Promotion of the Humanities - Federal/State Partnership	2014-4596	April 1, 2014 to May 31, 2014
93.310	Trans-NIH Research Support	3U54HG006348- 03S1	August 31, 2013 to July 31, 2014

Corrective Action:

Corrective action was taken.

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Reference No. 2014-142

Period of Availability of Federal Funds

Research and Development Cluster

Award years – See below

Award numbers – See below

Type of finding – Significant Deficiency and Non-Compliance

When a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Initial Year Written:	2014
Status:	Implemented
U.S. Department of Defense	
U.S. Department of Energy	
U.S. Department of Health and Human Services	
Environmental Protection Agency	
National Aeronautics and Space Administration	

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300).

The University of Houston (University) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period. Specifically:

- For 3 (5 percent) of 62 transactions and adjustments tested, the University incurred the underlying expenditures outside the period of availability of the award. The University corrected one of those transactions after auditors brought it to the University’s attention; however, it did not correct the remaining 2, resulting in total questioned costs of \$6,661 associated with award number N00014-11-1-0069. The two transactions were payroll transactions for a pay period after the grant ended; the University had not corrected those charges at the time of the audit.
- For all 9 original transactions tested, the University did not liquidate the obligation within 90 days after the end of the funding period. The University liquidated the obligations associated with those 9 transactions between 91 and 199 days after the end of the funding period. For 3 of those 9 transactions, the University also did not incur the costs within the period of availability. Two of those transactions are discussed in the errors above and are included in the questioned costs of \$6,661, and the University corrected the remaining transaction. The University incurred the other six transactions within the period of availability; therefore, there were no questioned costs related to those transactions.

The University’s policy is to close out federal awards within 90 days after the expiration of the award. However, the University does not have an effective process to close grant accounts in its accounting system within the required 90-day closeout period after the end of the award funding period. In addition to the errors discussed above, auditors identified 6 additional transactions that removed project deficits more than 90 days after the grants had ended. Control weaknesses increase the risk of non-compliance with period of availability requirements in applicable laws, regulations, and the provisions of federal grant agreements.

The following awards were affected by the period of availability issues discussed above:

CFDA No.	CFDA Title	Award Number	Award Year	Questioned Costs
12.000	Department of Defense	G105536	June 1, 2012 to February 28, 2013	\$ 0
12.300	Basic and Applied Scientific Research	N00014-11-1-0069	October 1, 2010 to August 31, 2013	6,661

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<u>CFDA No.</u>	<u>CFDA Title</u>	<u>Award Number</u>	<u>Award Year</u>	<u>Questioned Costs</u>
12.800	Air Force Defense Research Sciences Program	FA8650-05-D-1912	November 1, 2012 to November 29, 2013	0
12.910	Research and Technology Development	N66001-11-1-4015	January 3, 2011 to March 15, 2013	0
43.007	NASA Space Operations	NNX13AH25G	November 6, 2012 to December 31, 2013	0
66.419	Water Pollution Control State and Interstate Program Support	582-10-90494-WO-22	February 19, 2013 to August 31, 2013	0
66.419	Water Pollution Control State and Interstate Program Support	582-10-90494-19	September 1, 2012 to August 31, 2013	0
81.000	Department of Energy	DE-AC02-05CH11231	December 14, 2012 to September 30, 2013	0
81.049	Office of Science Financial Assistance Program	DE-FG02-07ER41518	August 15, 2010 to March 14, 2014	0
81.135	Advanced Research and Projects Agency - Energy Financial Assistance Program	DE-AR0000141	January 1, 2012 to July 31, 2013	0
93.213	Research and Training in Complementary and Alternative Medicine	5R01AT005522-04	September 1, 2012 to August 31, 2013	0
93.239	Policy Research and Evaluation Grants	60079362-104354-F	March 1, 2012 to September 29, 2013	0
Total Questioned Costs				<u><u>\$6,661</u></u>

Corrective Action:

Corrective action was taken.

Reference No. 2014-143

Reporting

Research and Development Cluster

Award years – See below

Award numbers – See below

Type of finding - Significant Deficiency and Non-Compliance

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (Transparency Act) requires prime recipients of federal awards made on or after October 1, 2010, to capture and report subaward and executive compensation data regarding first-tier subawards that exceed \$25,000. Prime recipients are to report subaward information no later than the end of the month following the month in which the obligation was made (Title 2, CFR, Chapter 170).

Initial Year Written: 2014
 Status: Implemented

U.S. Department of Health and Human Services
 U.S. Department of Energy
 National Aeronautics and Space Administration

The University did not submit the required Transparency Act reports within required time frames for all five reports tested. It submitted one of those five reports 96 days late; the remaining four reports were subaward modifications that the University did not report. The University asserted that it did not submit the subaward modifications because it was not aware of the requirement to report subaward actions after the initial subaward. In addition, the University does not have an effective monitoring process to help ensure that it submits reports in a timely manner when required.

Not reporting Transparency Act reports in a timely manner decreases the reliability and availability of information to the awarding agency and other users of that information.

The following awards were affected by the Transparency Act reporting issues discussed above:

CFDA No.	CFDA Title	Award Number	Award Year
93.243	Substance Abuse and Mental Health Sciences-Projects of Regional and National Significance	1H79SP020184-01	September 30, 2013 to September 29, 2016
93.273	Alcohol Research Programs	5 R01 AA014576-10	September 6, 2004 to July 31, 2016
93.859	Biomedical Research and Research Training	5 R01 GM097553-03	September 30, 2011 to August 31, 2016
93.865	Child Health and Human Development Extramural Research	2P50HD052117-08	February 1, 2006 to November 30, 2016

Corrective Action:

Corrective action was taken.