



## G. UNIVERSITY OF CONNECTICUT SYSTEM

### III.G.1. Equipment and Real Property Management (University of Connecticut)

#### Federally-Sponsored Research and Development Programs

**Federal Award Agency: Various Federal Agencies**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

*Criteria:* OMB Circulars A-21 and A-110 require that a physical inventory of equipment be taken at least once every two years and that the results of such inventory be reconciled with the equipment records.

*Condition:* The University has only completed a partial physical inventory of equipment and reconciliation to equipment records within the required time period.

*Effect:* The University has not complied with the cost principals and administrative requirements established by OMB Circulars A-21 and A-110.

*Cause:* Staffing levels prevented the University from performing a complete physical inventory and investigating differences that would result in making required adjustments to the equipment records.

*Recommendation:* The University should conduct a physical inventory of equipment at least every two years and reconcile the results of the physical inventory to the equipment records.

*Agency Response:* We agree with this finding. In fiscal 2007, Inventory Control resumed conducting physical inventories and reconciling the results of the physical inventory to the equipment records through the use of departmental contacts, improved system efficiencies and additional labor. Departmental contacts have begun to conduct and reconcile their own physical inventories according to an annual cycling schedule beginning in 2008. In addition, the University has recently hired two full-time "end-dated" positions to accelerate compliance with OMB Circulars A-21 and A-110. Through these changes we expect to gain optimum results after two full cycles when reconciliations have been completed.

The University is considering the possibility of increasing the capitalization threshold for equipment from \$1,000 to \$5,000. This would significantly decrease the number of equipment assets requiring tracking, would be more consistent with Federal requirements and policies of other higher education



institutions, and would aid the University tremendously in regards to compliance with OMB Circulars A-21 and A-110.

### **III.G.2. Subrecipient Monitoring (University of Connecticut)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Various Federal Agencies**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

*Criteria:* OMB Circular A-133, Subpart D-Section 400 (d)(3) requires that a pass-through entity monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are met.

*Condition:* An integral component of the University's subrecipient monitoring policy is the review and approval of invoices, by the Principal Investigator of the grant, prior to payment.

We tested the University's monitoring of seven subrecipients who received in total \$412,639 during the fiscal year ended June 30, 2008. We noted that seven of seven, or 100 percent, of the invoices for payment to subrecipients were not approved by the Principal Investigator as required.

*Effect:* The University is not in compliance with OMB Circular A-133, Subpart D-Section 400(d)(3).

*Cause:* Established internal controls are not being followed and/or functioning as intended.

*Recommendation:* The University should review the adequacy and enforcement of its subrecipient monitoring policies to help ensure compliance with Circular A-133.

*Agency Response:* We agree with this finding. Office for Sponsored Programs (OSP) personnel will initiate a review of our subrecipient monitoring policy to identify areas where internal controls need to be strengthened or changed to ensure compliance with OMB Circular A-133. Specifically, we will determine whether the requirement that the Principal Investigator (PI) sign invoices to authorize payment to subrecipients can be effectively monitored through the University's Accounts Payable function. Because of the nature of the work being done, it is imperative that the PI review the invoice to determine if the



costs are allowable and the amount being billed is commensurate with the technical progress on the project. The desired internal control is not functioning as intended due to the current process in place for requesting payment through the Accounts Payable function.

Currently, a CO-17 form is used to request payments to subrecipients. While Accounts Payable procedures require that an invoice accompany the CO-17, they do not review the invoice for a signature. Consistent with their current operating procedures, they review the CO-17 for an authorized signature. The University's Signature Authorization Policy applies to this document.

We will initiate a discussion with Accounts Payable personnel to address this concern. It is our understanding that a specific individual in Accounts Payable is responsible for processing payments to subrecipients. If this is the case, it is likely that the desired internal control can be implemented without any significant impact on the Accounts Payable function.

### **III.G.3. Allowable Costs/Cost Principles – Time and Effort Reporting (University of Connecticut Health Center)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Nursing Research (93.361):**

**Account # 522903 – “Resource Use and Patient Outcomes in Medicare Home Care” – 5R01NR005081-06 from the National Institute of Health, project period April 1, 1999 through July 31, 2009**

**Cardiovascular Diseases Research (93.837):**

**Account # 522986 – “Phospholipid Signaling in Myocardial Ischemic Injury” – 5R01HL034360-19 from the National Institute of Health, project period September 1, 1994 through July 31, 2010**

**Account # 522944 – “Transgenic/Knockout Animals in Myocardia Preservation” – 5R01HL056322-11 from the National Institute of Health, project period August 1, 1996 through November 30, 2008**

*Criteria:*

Per OMB Circular A-21, the distribution of salaries and wages must be supported by after-the-fact activity reports signed by responsible persons who have used suitable means of verification to verify that the work was performed. The majority of the charges to Federal Research and Development Programs are for personal service costs. Accordingly, the accuracy and integrity of the time and effort system is crucial.



The Health Center maintains an electronic time and effort reporting system that, on a quarterly basis, identifies the percentage of effort applied each month by employee and account. Passwords are used to confirm the identity of those responsible for review and certification of the charges. Although Circular A-21 doesn't address electronic signatures, they should be acceptable as long as they are functionally equivalent to the traditional "ink on paper" signature, i.e. they are unique and verifiable as executed by the signer.

*Condition:* We reviewed electronically filed time and effort reports for 40 individuals covering \$91,509 of the \$28,000,815 in salary payments charged to Federal Research and Development Programs accounts during the 2007-2008 fiscal year. When we started our review in June 2008 we found that three charges for work performed at least three months previously had not yet been certified. They included a charge of \$2,639 for one individual to award 5R01NR005081-06 and charges for another individual of \$644 to award 5R01HL056322-11 and \$644 to award 5R01HL034360-19. There were associated fringe benefit charges of \$826 to award 5R01NR005081-06, \$202 to award 5R01HL056322-11 and \$202 to award 5R01HL034360-19. Although certifications were subsequently provided to us, the fact that they had not been completed three months after the end of the quarter raises questions as to their accuracy. Additionally, we found that the integrity of the certifications made by one researcher had been compromised, as his password had been shared.

*Effect:* The conditions described above lessen the reliability of the documentation produced by the time and effort reporting system. A reviewer's ability to accurately recall the amount of effort devoted to various tasks can only deteriorate with the passage of time.

*Cause:* The Health Center monitors time and effort reports in process and follows up on incomplete reports. However, it appears that some researchers do not assign a high enough priority to completing them. Similarly, though the Health Center has made efforts to educate staff members as to the importance of maintaining the integrity of electronic signatures, not all researchers realize the importance of maintaining the security of their passwords.

*Recommendation:* The University should take whatever steps are required, including disciplinary action as necessary, to impress on staff the importance of completing time and effort reports in a timely manner and discourage the sharing of passwords.

*Agency Response:* "We agree with this finding."



### III.G.4. Cash Management (University of Connecticut Health Center)

#### Federally-Sponsored Research and Development Programs

**Federal Award Agency: Department of Defense**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Military Medical Research and Development (CFDA 12.420)**

**Basic Scientific Research (CFDA 12.431)**

*Criteria:* The timing and amount of cash advances should be as close as administratively feasible to the actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs (31 CFR 205.33).

*Condition:* In previous reports we noted that, for direct Department of Defense awards, the Health Center was holding enough cash to cover an entire year's worth of expenditures. Although there has been noticeable improvement in this area, the Health Center continued to receive scheduled payments even though balances held were already excessive. The aggregate cash balance held for direct Department of Defense awards decreased from \$2,473,442 as of June 30, 2007, to \$1,968,816 as of June 30, 2008. This decrease is primarily attributable to an increase in the level of expenditures, which, per the Schedule of Expenditures of Federal Awards increased by \$449,675 from \$2,324,858 for the 2006-2007 fiscal year to \$2,775,384 for the 2007-2008 fiscal year.

*Effect:* Excess cash balances were maintained for Department of Defense awards.

*Cause:* Most of the June 30, 2008, cash balance related to four awards under which excess cash balances had accumulated because program expenditures were not incurred at the levels envisioned when predetermined schedules were established. Efforts were made during the audited period to have the Department of Defense adjust predetermined payment schedules to a more realistic level. However, the Health Center did not return funds already received because:

- It was known that the principal investigators for two of the awards planned to leave the Health Center and their awards would be transferred to other institutions.
- The level of expenditures for another grant award had increased to a degree sufficient to expend the funds in a reasonable amount of time.



- Federal grant administrators responsible for the fourth award did not respond to Health Center efforts to take corrective action.

*Recommendation:* The University should continue its efforts to reduce the excess cash balances accumulated under Department of Defense awards.

*Agency Response:* “We agree with this finding, however, as stated in the Cause, the Health Center can not make unilateral changes to payment schedules. The Health Center continues to request revisions to payment schedules on DOD grants as appropriate, but these efforts are dependent upon the cooperation of the DOD. As required by DOD contracts, the Health Center annually remits any accrued interest earnings on DOD cash balances.

Since June 30, 2008, the Health Center’s cash balance on DOD grants has decreased \$838,665, from \$1,968,816 at June 30, 2008 to \$1,130,151 at January 30, 2009 (after adjustment for a pending transfer). The decrease is due to \$463,518 in transfers to other institutions that have or will take place as a result of faculty departures, and grant expenditures exceeding cash receipts by \$375,147.”

### **III.G.5. Procurement and Suspension and Debarment (University of Connecticut Health Center)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Department of Education**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (CFDA 84.325):**

**Account # 522643 – “Early Intervention Credential” –H325A000021-04 from the Office of Special Education and Rehabilitative Services, project period October 1, 2000 through June 1, 2008.**

**Account # 522777 – “Center for Personnel Preparation in EI/E ECSE” – H325J020002-06 from the Office of Special Education and Rehabilitative Services, project period January 1, 2003 through December 31, 2008.**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**University Centers for Excellence in Developmental Disabilities Education Research and Service (CFDA 93.632):**



**Account #523050 – “University Centers for Excellence” –90DD0576/04 from the National Institute of Justice, project period July 01, 2003 through June 30, 2008.**

**Account #523092 – “University Centers for Excellence” –90DD0576/05 from the Administration for Children and Families, project period July 01, 2003 through June 30, 2008**

- Criteria:* OMB Circular A-110 sets forth standards for use by recipients in establishing procedures for procuring goods and services with Federal funds. These standards call for all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Section 10a-151b of the General Statutes, which governs purchases by the State’s constituent units of higher education, implements procedures that address this requirement. Per Section 10a-151b, all purchases greater than \$10,000 must be based, when possible, on at least three competitive quotations. A more formal solicitation process must be followed for purchases greater than \$50,000 in amount.
- Condition:* We conducted a review of contracts funded from restricted grant accounts to determine if they were awarded under a process that complied with the requirements of Section 10a-151b of the General Statutes. During that review we noted seven contracts with three vendors having an aggregate value of \$210,200 that had been awarded noncompetitively and were charged to Federal grants. The contract amounts included \$90,000 for award H325A000021-04, \$89,200 for award H325J020002-06, \$25,000 for award 90DD0576/04 and \$6,000 for award 90DD0576/05.
- Cause:* It appears that staff responsible were not aware that the requirements for competition set forth in Section 10a-151b applied to procurements funded from grant funds. This may have created confusion regarding the different requirements pertaining to subgrants made from grant funds and contracts for the purchase of goods and services that are charged to grants.
- Effect:* The Health Center was not in compliance with the standards set forth in OMB Circular A-110 and Section 10a-151b of the General Statutes, which are intended to ensure that materials and services are obtained in a cost effective manner and in compliance with the provisions of applicable laws and regulations.
- Recommendation:* The University should award all procurement contracts under a competitive process that complies with the provisions of OMB Circular A-110 and Section 10a-151b of the General Statutes.
- Agency Response:* “We agree with this finding.”



### **III.G.6. Reporting (University of Connecticut Health Center)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Research Related to Deafness and Communication Disorders (CFDA 93.173):**

**Account # 522541 – “Comparisons of Binaural Processing at Low & High Frequencies” – 5R01-DC004147-6 from the National Institute on Deafness and Other Communication Disorders, project period August 1, 2000 through June 7, 2007**

**Mental Health Research Grants (CFDA 93.242):**

**Account # 522860 – “Mental Health Research Infrastructure in Corrections” – 5R24-MH067030-03 from the National Institute of Mental Health, project period February 3, 2004 through January 31, 2009, reporting period through January 31, 2007**

**Alcohol Research Programs (CFDA 93.273):**

**Account # 522692 – “Aftercare for Adolescents with Substance Use Disorders” – 5K24-AA013442-05 from the National Institute on Alcohol Abuse and Alcoholism, project period February 1, 2002 through January 31, 2008**

**Extramural Research Programs in the Neurosciences and Neurological Disorders (CFDA 93.853):**

**Account # 522763 – “Neuroglial Interactions at the Node of Ranvier” – 5R01-NS044916-05 from the National Institute of Neurological Disorders and Stroke, project period September 30, 2002 through July 31, 2007**

**Aging Research (CFDA 93.866):**

**Accounts # 522657 and # 539179 – “Testosterone for Prevention of Fracture in Men” – 3R01-AG018887-05S1 from the National Institute on Aging, project period September 30, 2001 through June 30, 2007**

*Criteria:* Per the National Institutes of Health (NIH ) Grants Policy Statement, grantees must submit a final Financial Status Report within 90 days of the end of grant support, unless an extension is granted.

*Condition:* We tested five Financial Status Reports. Our testing disclosed that none of the five reports were filed on a timely basis.

- Award 5R01-DC004147-6 ended June 7, 2007; the final Financial Status Report was filed July 9, 2008.



- The reporting period for award 5R24-MH067030-03 ended January 31, 2007; the final Financial Status Report was filed September 27, 2007.
- Award 5K24-AA013442-05 ended January 31, 2008; the final Financial Status Report was filed May 28, 2008.
- Award 5R01-NS044916-05 ended July 31, 2007; the final Financial Status Report was filed May 8, 2008.
- Award 3R01-AG018887-05S1 ended June 30, 2007; the final Financial Status Report was filed June 4, 2008.

*Cause:* Adequate resources were not assigned to the task.

*Effect:* Per the NIH Grants Policy Statement (12/03), failure to submit timely and accurate final reports may affect future funding to the organization or awards with the same principal investigator.

*Recommendation:* The University should assign resources as necessary to assure that Financial Status Reports are completed within the required timeframe, as prescribed by National Institutes of Health policy.

*Agency Response:* “We agree with this finding.”

### **III.G.7. Special Tests and Provisions – Key Personnel (University of Connecticut Health Center)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Oral Diseases and Disorders Research (CFDA 93.121):**

**Account # 522989 – “Uconn Craniofacial Tissue Repair Regeneration Program” – 5U24-DE016495-02 from the National Institute of Dental & Craniofacial Research, project period September 21, 2004 through August 31, 2008**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**National Center for Research Resources (CFDA 93.389):**

**Account # 523064 – “Creating Multi-Gene Reporter Mice Via “Recombineering”” – 5R21-RR021707-02 from the National Center for Research Resources, project period August 17, 2006 through July 31, 2009**



*Criteria:* Per NIH Notice Number NOT-08-065, award recipients may hold concurrent support from K (career development) awards and a competing research grant under certain conditions. K awards provide support for scientists seeking training to develop a career in the biomedical field; they are intended to enable promising scientists to gain education and experience.

Under the concurrent support concept, a portion of the award recipient's salary equivalent to the percentage of effort devoted to the research grant may be charged to the K award. The notice establishes a requirement for prior approval, stating that, for submissions to NIH, a letter must accompany the research grant application providing evidence that certain requirements related to the researcher's career development will be met. NIH has not established a policy authorizing award recipients to hold concurrent support from other grant types.

*Condition:* We reviewed the committed effort for key personnel on five awards. The committed effort requirement on one of the five awards, award 5R21-RR021707-02, included 50 percent effort from a researcher other than the principal investigator during the budget period from August 1, 2007 through July 31, 2008. The award was subsequently extended to July 31, 2009, with the researcher's committed effort requirement reduced to 5 percent effective August 1, 2008. The researcher's employment start date was September 30, 2007. Per the time and effort system, the only effort devoted to award 5R21-RR021707-02 during that period was four percent during June 2008 and five percent during July 2008. The researcher continued at that percentage through December 2008.

We were informed that it was intended that the researcher's effort on award 5R21-RR021707-02 be concurrent with effort on award 5U24-DE016495-02. There were three problems with this. First, prior approval for concurrent effort was not obtained.

Second, the award in question, award 5U24-DE016495-02, was not a K award. Though NIH has authorized concurrent support from K awards, it has not authorized concurrent support from U24 awards. The NIH U24 is a cooperative agreement award mechanism. In the cooperative agreement mechanism, the principal investigator retains the primary responsibility and dominant role for planning, directing, and executing the proposed project, with NIH staff being substantially involved as a partner with the principal investigator. These awards are quite different in concept than K awards, which focus on supporting individuals while they are gaining the experience they need to be fully productive.



Third, as discussed above, the time and effort reporting system did not support the effort devoted towards award 5R21-RR021707-02 and the principal investigator did not prepare supplementary documentation to substantiate that the committed effort requirement was met. In January 2009, the principal investigator asked the grantor to retroactively approve the Health Center's actions.

*Effect:* Acting in a manner that is inconsistent with Federal guidelines could affect an institution's ability to secure grants in the future.

*Cause:* We were told that the grantor had previously approved a similar request. It is possible that the principal investigator involved may have misinterpreted this as constituting blanket approval for the practice.

Concurrent support is not common at the Health Center. Accordingly, the time and effort reporting system was not designed to document it, and procedures addressing the preparation of supplementary documentation were not developed.

*Recommendation:* The University should comply with Federal requirements for prior approval where such is specifically required and whenever actions are contemplated that are not authorized by existing guidance. If the time and effort system cannot adequately document all of a researcher's time and effort, supplementary documentation should be prepared.

*Agency Response:* "We agree with the finding."

### **III.G.8. Special Tests and Provisions – Committed Effort (University of Connecticut Health Center)**

#### **Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Various**

*Criteria:* Per the NIH Grants Policy Statement, "Commitment overlap occurs when an individual's time commitment exceeds 100 percent, whether or not salary support is requested in the application, ... commitment of an individual's effort greater than 100 percent, is not permitted. Any overlap will be resolved by the IC [Institute/Center, i.e., grantor] with the applicant and the PI [Principal Investigator] at the time of award."



*Condition:* It came to our attention that a researcher who was awarded a relatively large number of grants appeared to have allocated more than 100 percent of her effort during prior years. At the time of our review, in December 2008, the Health Center was attempting to resolve this problem as part of the grant closeout process.

As of December 2008, the bulk of the researcher's time and effort for the period from April 2003 through December 31, 2003, was in uncertified status. Though time and effort reports for subsequent periods were certified in a timely manner, those for the period from April 2004 through June 2005 were certified from 11 to 36 months after the end of the quarter. Additionally, it appeared that time and effort reports that were in certified status as of December 2008 had been revised after they had been initially approved, necessitating several cost transfers and at least one refund to the Federal government for a closed grant.

Time and effort reports need to be accurately completed in a timely manner based on work actually performed without regard to salary distribution or level of effort commitments. There is unlikely to be a legitimate reason to postpone completing time and effort reports. In fact, significant delays may make it impossible to construct an accurate record of the actual distribution of effort. The situation described in the preceding paragraph creates the impression that the researcher is delaying the completion of and/or adjusting time and effort reports so that, when finalized, they will show committed effort percentages that satisfy, insofar as possible, all committed effort requirements that are identified during the grant closeout process.

It was also noted that the researcher's time and effort reports allocated no effort or, beginning in January 2007 and extending through the quarter ended October 31, 2008, the last period on file at the time of our review, one percent of effort to departmental administration. As these allocations for departmental administration do not appear adequate, they raise serious questions regarding the accuracy of the percentages of the researcher's time and effort allocated to grant awards, both during the prior periods discussed above and currently.

The researcher needs to provide a reasonable estimate of the actual percentage of effort devoted to departmental administration. If this results in a reduction of percentages previously allocated to grant awards to the point that committed effort requirements were not met, and/or salary support for the researcher was excessive, grantors should be notified and other appropriate actions taken.



Health Center administrators have been aware that there were problems with this researcher's committed effort for some time; these problems should have been fully addressed as soon as they became apparent. The retrospective approach taken is not in accordance with the NIH Grants Policy Statement, which directs that any overlap be resolved at the time of the award.

*Effect:* The Federal government approves applications based on various factors, one being the commitment of key personnel to devote a specified percentage of their effort to the project. Failure to maintain promised level of effort commitments could affect an institution's ability to secure grants in the future.

*Cause:* It appears that the researcher in question received a large number of awards in a relatively short period of time. Further, although the Health Center maintains a committed effort log, it does not maintain a monitoring system that aggregates all of a researcher's committed effort at all points in time. Without such a monitoring system, administrators may not detect commitment overlap until well after it has occurred.

*Recommendation:* The University should enhance recordkeeping systems and practices as necessary to adequately monitor committed effort and address problems at the time of the award, as required by NIH. Time and effort reports should be completed quickly and accurately and, absent extraordinary circumstances, should not be altered after they are certified.

*Agency Response:* "We agree with this finding. The investigator in question received a large increase in the number of grants in a short period of time. During the period in question (April – December 2003), there was extensive communication between the University to the sponsor agencies to document her effort, as well as any potential overlap in funding. This led to complications in reporting and documenting her direct effort and cost-share commitments within the time and effort system.

Since that time, considerable effort has been made to document effort as appropriate, using companion accounts to document cost share commitments as necessary. Administration and the researcher have recently developed a committed effort matrix that documents effort requirements for all awards and proposals. Adjustments to effort, when required, were made in conjunction with approval of the sponsor as appropriate.

Because the current Time and Effort system ties payroll allocation to effort, a cost transfer is required when effort is reported differently than the payroll allocation. Since January 2007, quarterly time and effort reports have been filed on a timely basis."