



UNIVERSITY *of* MARYLAND

# **SPA & SPAC UPDATE MEETING**

SECOND QUARTER

2012

# Today's Agenda

- Introduction of the Procard Compliance Review Process by Management Advisory Services
- Deliverables Closeout Process
- Closeout Team
- Direct Retros
- Fringe Benefits Proposal Update

# Procurement Card Compliance Reviews

- Compliance reviews to shift from Procurement to Management Advisory Services (MAS) beginning June 4, 2012.
- Faster identification of transactions requiring further review via daily downloads emphasizing:
  - MCC codes/descriptions.
  - Keywords (e.g., alcohol, food, gift card, antiques, etc.).
  - Split purchases over multiple days, cardholders, departments.
  - Enforcement of consequences.
- All cardholders are subject to selection for periodic reviews using a risk-based approach including:
  - Focusing on questionable transactions/vendors/amounts.
  - Detailed reviews of select months for compliance with program requirements (e.g., log, documentation, signatures/dates, timeliness).

# Procurement Card Compliance Reviews

- Authorized and Verification Reviewers' roles continue to be critical control points.
- Procurement is still responsible for:
  - Administration of the program.
  - Primary contact for cardholders, reviewers, State General Accounting Division.
  - All other monitoring.
  - Implementing sanctions outlined in User's Guide.

# Deliverables Closeout

- Updated spreadsheets will be sent in mid May with responses due by June 15<sup>th</sup>
- Final opportunity to closeout deliverables prior to FY12 close
- All departments need to respond
- In cases where the response is the project should remain open, follow up with ORD on date extensions and be sure to submit DIRF forms for invoices

# Closeout Team Update

- Letter of Credit Closeout is underway
  - Approach is alphabetical by PI
  - Our point of contact was identified by department/school administrators
- Our next focus will be on the closeout of standard pcbu's 00184, 00187 & 00191 on awards ending prior to 7/1/09
- We'll be in touch with our closeabout the small population of remaining deliverables

# Direct Retros

- Nearly all of the DRs that debit a sponsored project are an audit risk
- SPAC is responsible for monitoring the compliance of these transactions
  - Is it documented in a way to withstand an audit?
    - Does the document appear to have final signatures on an unaltered document?
    - Is it appropriately described and justified?
- You should expect that these transactions will be rejected
  - Not all cost transfers you want to do should be done

# Direct Retros

- Because of the audit risk DRs should be minimized
- It should not be easy to get these processed
- We receive over 5,000 Direct Retros a year
  - Approx. one-third are being rejected



# Direct Retros

- If you are frustrated by the process, the number one way to reduce your frustration is to avoid doing them in the first place
  - Are you appropriately using pre award spending projects?
  - Are you actively managing your awards to avoid being significantly under or over spent?
  - Are you meeting with faculty regularly to be aware of funding/staffing changes?
  - Are you reconciling your projects timely to identify errors?

# Direct Retros

- The number two way to reduce your frustration is to fill the forms out correctly and be sure those that work for you are filling out the forms correctly
  - Does your department have an internal review process?

# #1 Reason why Direct Retros get returned

Insufficient explanations!

# Explanations

- Does your explanation respond to the 3 points in the instructions?
  - The 3 points can be found on the instructions tab in the Direct Retro Form's excel file on the Cost Analysis website:

<http://www.cost.umaryland.edu/forms.cfm> )

# Explanations: Where to find the instructions

The screenshot shows a web browser window displaying the University of Maryland website. The browser's address bar shows the URL <http://www.cost.umaryland.edu/index.cfm>. The website header includes the University of Maryland logo and the tagline "REAL-WORLD THINKING | WORLDWIDE REACH®". A navigation menu at the top lists various departments and services. The main content area is titled "Cost Analysis and Studies" and contains several links: [Fringe Benefit Rates \(NEW\)](#), [Effort Management](#), [Service Center](#), [F&A Proposal](#), [Updated Direct Retro Form](#), and [Instructions to Complete Direct Retro](#). A callout box with a black border and white background points to the "Instructions to Complete Direct Retro" link, containing the text: "These link to the same file. We have made minor updates to the explanation sections, and have highlighted the related fields in the instructions." The browser's taskbar at the bottom shows the date and time as 9:19 AM on 4/17/2012.

# Instructions: Where to find them

The screenshot shows an Excel spreadsheet titled "eUMB Direct Retro Request Form" from the University of Maryland Baltimore. The spreadsheet contains several form sections:

- Header:** "eUMB Direct Retro Request Form University of Maryland Baltimore" followed by a blank line for "of \_\_\_\_\_".
- Form Fields:** "Dept Name:", "Prepared by:", "Email/Extension:", "EmpID/Emp# Rcc:", "Employee Name (Last, First):", "From Pay Period (FY-PP):", "To Pay Period (FY-PP):", "Fiscal Year:", "Credit Chartstring and HRMS Account Code (From):", "Debit Chartstring and HRMS Account Code (To):", "Debit Chartstring Owner Signature", "Date:", "Printed Name/Department:", "Late Reason:", "PI Certification:", "Signature:", "Date:", "Printed Name:", "Cost Analysis and Studies Approval:", "Date:", and "An eUMB 'Done' stamp".
- Table:** A table with columns: "Credit Account", "Transfer Type (Choose one)", "Amount", "Percent/PP", and "Debit Account". Rows include Salary, Overtime, Shift Differential, FICA, Health, Surcharge, Post Employment Benefits, Retirement, Unemployment, SRA Match, and a TOTAL row.
- Footer:** A row of tabs at the bottom: "Instructions", "Sample Amount", "Sample Percent", "Manual", "Redistribution Options", "Process Summary". The "Instructions" tab is highlighted with a blue circle and an arrow pointing to a callout box.

**Cost Analysis USE ONLY**

Creation Date: \_\_\_\_\_  
Processed by: \_\_\_\_\_

Credit Account	Transfer Type (Choose one)		Debit Account
	Amount	Percent/PP	
Salary			Pick one
Overtime	2110		2110
Shift Differential	2120		2120
FICA	2725		2725
Health	2710		2710
Surcharge	2711		2711
Post Employment Benefits	2712		2712
Retirement	Pick one		Pick one
Unemployment	Pick one		Pick one
SRA Match	Pick one		Pick one
TOTAL:			

Explanation: Insert explanation here (please see instructions for 3 questions which need to be answered):

Debit Chartstring Owner Signature \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name/Department: \_\_\_\_\_

If cost transfer is being processed after 90 days from original transaction:  
Late Reason: Insert late reason here:

PI Certification:  
I certify that the above correction is a fair and reasonable allocation of the individual's salary given the work performed on the project(s).  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

Cost Analysis and Studies Approval: \_\_\_\_\_ Date: \_\_\_\_\_

\*An eUMB "Done" stamp must be attached\*

Instructions | Sample Amount | Sample Percent | Manual | Redistribution Options | Process Summary

12:38 PM 4/30/2012

Instructions, and other useful information, are on a separate tabs in the form's excel file

# Explanations – The 3 points

Basically, we need to understand the entire situation, the why's and how's.

# 3 points to be addressed #1

- Why the chart string being charged is appropriate
- In other words...
  - What is different now?
  - How do we know we are charging the right place this time?
  - Who/how/when was it determined this chartstring is now appropriate?
- By answering these questions, you will have satisfied point #1 of the explanation




## 3 points to be addressed #2

- How the amount being transferred was determined
  - How do we know the amount is correct?
  - How did you calculate the amount to be transferred?
  - Illustrate on the PCD how you determined the amount to be transferred.
- By responding to these questions, you will have satisfied point #2 of the explanation

# 3 points to be addressed #3

- Why the chart string was not correct on the original posting
  - What happened to cause wages to post to the wrong account originally?
- By answering this question, you will have satisfied point #3



But what if this was a clerical error?

Describe the error in detail

(by responding to the 3 points)

# In short, what we need

- The result of responding to the 3 points is that you will tell us the story surrounding the need to transfer the dollars.

# REMEMBER!

Salary charges on sponsored awards should be based on how work was performed, not according to funding.

Therefore, explanations should be based on work performed, not funding.

# Explanations that don't work

- “Clearing the PCA” is the same thing as saying “to correct an error.”
- The phrases “to correct an error” and “to transfer to the correct project” are explicitly deemed insufficient by federal regulation.
- We have, institutionally, adopted this federal requirement and its verbiage into our Cost Transfer Policy which we apply to all funding sources.

<http://www.fincsvc.umaryland.edu/images/CostTransfers.pdf>

# Moving cost overruns

- Cost overruns cannot be moved from one sponsored project to another

# Late reasons

- Over 90 day transactions
  - If the begin date of the “from pay period” on the DR is more than 90 days from the date the form is received in Cost Analysis, the form is considered a late cost transfer.
  - All late cost transfers require an explanation as to why the error was not discovered and corrected in a more timely manner.
  - This explanation section is a function of *time*, not why the transfer is being requested.



## Additional reasons Direct Retros are often returned

- Account codes & pay periods used on the DR form do not correspond to the account codes & pay periods per the PCD
- Late reasons that don't speak to time

# Additional reasons Direct Retros are often returned

- Forms crossing effort periods will be returned when you are:
  - Moving less than the full amount
  - AND
  - using the dollar method (as opposed to the percentage method)
- When in doubt – do multiple forms!

# Additional reasons a DR may be returned – even after it passes audit

- A DR may be returned after passing our audit if, upon entry into HRMS, the system kicks it out:
  - There could be insufficient expenses for the period to which the credit is applied
  - The beginning budget attribute date for the funding source being debited (charged) may be AFTER the pay period requested to be transferred

# Important to note

We are applying the same level of scrutiny to all direct retros – regardless of whether they affect a sponsored project or not

# Ways to insure smooth processing

- If the employee has multiple records – reference the correct record # (next to the EMPLID#)
  - If the employee has multiple records and we enter the default suffix = 0, HRMS kicks out the retro, indicating there are not sufficient funds – which could cause the retro to be returned

# Corrections of errors - explanations

- An example of a good explanation
  - When reviewing her effort form, Dr. X saw that her effort was miscoded. - OR - Upon review of the expenses on grant Y, we determined wages were miscoded.
  - When processing the EFP, I inadvertently chose the HRMS account code related to the cost sharing fund as opposed to the grant fund.
  - 100% of the wages hitting the cost share account should have been charged to the grant.

# Other than error corrections

- An example of a good explanation
  - When reviewing her effort form, Dr. X felt that 25% effort on project 10001234 is a better reflection of her actual effort for the effort period, and that her effort on a non-sponsored, departmental account was only 75%.
  - Originally, 15% was charged to 10001234 and 85% charged to the department, we are transferring the difference to align wages with effort.
  - We were unaware at the time that we should update Dr. X's EFP.

# Red flags

- Adjusting salary distribution for an effort period that has already been certified
- Old cost transfers
- Moving round dollar amounts
- Salary cost transfers done after the award ends or in the last 30 days of the award
- Transfers between sponsored accounts
- Vague explanations



# Bad salary charging practices

- These practices are highlighted by cost transfers:
  - Parking
    - Charging costs to one award until another is available
    - If necessary, these should be parked on non sponsored chartstrings for brief periods, otherwise pre-award spending chartstrings should be established.

# Bad salary charging practices

- These practices are highlighted by cost transfers:
  - Account management by cost transfer
    - Charging costs without review throughout the award
    - At the end of the award or fiscal year, rush to find costs or move off over expenditures

# When DRs, BRs are necessary

## Procedures for cost transfers and effect on effort forms

< 90 days from original transaction

Effect of cost transfer	Effort not archived	Effort archived
No effect on sponsored awards	Perform BR or DR only if BR is not possible	Not possible
At least one sponsored award is charged (debited)	Perform BR or DR only if BR is not possible	Not possible
Sponsored awards are only credited (debit goes to non-sponsored sources only)	Perform BR or DR only if BR is not possible	Not possible

# When DRs, BRs are necessary

## Procedures for cost transfers and effect on effort forms

> 90 days and < 1 year from original transaction

Effect of cost transfer	Effort not archived	Effort archived
No effect on sponsored awards	Perform DR with appropriate late reason	Perform DR with appropriate late reason
At least one sponsored award is charged (debited)	Perform DR with appropriate late reason and PI signature	Perform DR with appropriate late reason and PI signature. Attach letter from certifier requesting that the effort form be re-opened for recertification.
Sponsored awards are only credited (debit goes to non-sponsored sources only)	Perform DR with appropriate late reason and PI signature	Perform DR with appropriate late reason and PI signature

# Un-archive letters – include:

- The Employee Name and EmplID number and periods to unarchive
- An explanation why the prior certification for the project is incorrect and the certifier cannot say the effort certification was wrong because the payroll was wrong
- What the new certification will be
  - The project numbers involved and the percentage attributable to each
- That the effort form will be recertified within a week
- The letter should be addressed to Linda Ward, be signed by the certifier and should accompany the direct retro.

# What are we doing?

- To be sure we know the status of retros and to streamline the return process:
  - We have started a tracking log that tells us the date and disposition (entered or returned) of a direct retro
  - All returns are emailed to the individual whose email address is on the direct retro form (top left corner under the “prepared by” name)



# What more are we doing?

Once we work out some logistics, we will begin accepting **SCANNED COPIES** for direct retros!!!

# DR form updates, FY12 & prior

eUMB Direct Retro Request Form  
University of Maryland Baltimore \_\_\_\_\_ of \_\_\_\_\_

Dept Name: \_\_\_\_\_

Prepared by: \_\_\_\_\_

Email/Extension: \_\_\_\_\_

EmpID/Empl Rcd: \_\_\_\_\_

Employee Name (Last, First): \_\_\_\_\_

From Pay Period (FY-PP): \_\_\_\_\_ To Pay Period (FY-PP): \_\_\_\_\_ Fiscal Year: \_\_\_\_\_

Credit Chartstring and HRMS Account Code (From):

PCBU \_\_\_\_\_ Project \_\_\_\_\_ Fund \_\_\_\_\_ Department \_\_\_\_\_ Program \_\_\_\_\_ HRMS Account Code \_\_\_\_\_

Debit Chartstring and HRMS Account Code (To):

PCBU \_\_\_\_\_ Project \_\_\_\_\_ Fund \_\_\_\_\_ Department \_\_\_\_\_ Program \_\_\_\_\_ HRMS Account Code \_\_\_\_\_

	Credit Account	Transfer Type (Choose one)		Debit Account
		Amount	Percent/PP	
Salary	Pick one			Pick one
Overtime	2110			2110
Shift Differential	2120			2120
FICA	2725			2725
Health	2710			2710
Surcharge	2711			2711
Post Employment Benefits	2712			2712
Retirement	Pick one			Pick one
Unemployment	Pick one			Pick one
SRA Match	Pick one			Pick one
	TOTAL:			

Explanation: Insert explanation here (please see instructions for 3 questions which need to be answered):

Debit Chartstring Owner Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name/Department: \_\_\_\_\_

If cost transfer is being processed after 90 days from original transaction:  
Late Reason: Insert late reason here:

PI Certification:  
I certify that the above correction is a fair and reasonable allocation of the individual's salary given the work performed on the project(s).  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

Cost Analysis and Studies Approval: \_\_\_\_\_ Date: \_\_\_\_\_

**\*An eUMB "Payroll Charges Detail Report by Accounting Period" for the full fiscal year must be attached\***

We've increased the space available and allowed text to wrap in the explanation fields.



# Fringe rate update

- Verbal approval of rates (next slide)
- Formal agreement due here tomorrow
- Presenting at June Payroll Rep meeting
- Government combined Contractual & FICA only

# Fringe benefit rate update

	Apply to Accounts	FY13	FY14+	Costs recorded in account
Faculty	1011 – Faculty 9/10 mo. 1012 – Faculty 12 mo.	25.1%	25.8%	2790 – Fringe rate Faculty
Staff	1013 – Exempt staff 1014 – Non-exempt staff	40.2%	41.0%	2791 – Fringe rate Staff
Contractual & FICA only	2072 – Exempt staff (C1) 2073 – Non-exempt staff (C1) 2090 – Contractual employee (C2) 2071 – Faculty 2080 – Summer salaries 2110 – Overtime 2120 – Shift differential 2130 – On call pay	8.4%	8.4%	2793 – Fringe rate Contractual & FICA only
Post Docs	1021 – Post Docs/Fellows	23.1%	23.3%	2792 -- Fringe rate Post Doc

## In FY13 – what will happen with fringes on DRs?

- Need 2 DR forms
  - FY13 & forward
  - FY12 & prior
- If trying to zero out a prior year expense, will need to do an old DR form to move fringes

# DR form, FY13 & forward



In the planning stages of construction!

# Questions & Answers

- The presentations are available on the SPA and SPAC websites.
- Mark your calendars for the 2012 update meetings
  - July 26<sup>th</sup>
  - October 25<sup>th</sup> (tentative)
- Thank you for joining us today!