Payroll Certification on Federally Sponsored Projects

FDP Update
September 3, 2015
George Mason University Pilot

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Why did George Mason Participate?

We wanted a better option for our faculty and the broader research community because:

- Effort incurred across multiple activities is difficult to measure and track

- Effort reports provide limited controls

- Large population of certifiers with varying degrees of experience and responsibility

- Administration is inefficient and costly

Payroll Certification: Benefits

- Concept is straightforward and easy to understand

- Certification timeframe consistent with project period and annual technical reporting

- Smaller group of certifiers allows for more effective outreach and training

- More time to focus on key internal controls

- Reduced administrative burden

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Payroll Certification Timeline

- Prior to Jan 2011: Update policies/procedures, revise DS-2 and provide ONR detailed milestone plan for implementation

- Jan 2011: Approval from ONR to participate in FDP pilot with no stated end date; meetings with ONR every 6 months to review status

- Jan 2011: Outreach and communication to George Mason faculty and staff

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Payroll Certification Timeline

- Feb 2011: Mason faculty survey on effort reporting

- Oct 2011: DCAA DS-2 adequacy review completed with no findings

- Jan 2012: All awards transitioned to Payroll Cert.

- Feb 2012: Demonstration at George Mason with OMB, OSTP, FDP and IG Auditors

- Mar 2013: George Mason survey payroll cert.

- April 2013: Internal audit completed

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NSF/HHS IG Audit Timeline

- Jan 2013: Pre meeting with all Pilot Schools
- Feb 2013: 1st Data Request
- April 2013: 2nd Data Request
- May 2013: 3rd Data Request
- Summer 2013: Data Review
- Aug 2013: Entrance Conference
- Aug 2013: Onsite Interviews (OSP, Payroll, Fiscal Services, Department Administrators)

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NSF/HHS IG Audit Timeline

- Aug 2013: IT Security (ongoing)

- Oct 2013: Transaction sample received (180 Transactions due in 2 weeks)

- Nov 2013: Transaction review

- Dec 2013: Onsite interviews with project personnel including faculty, GRAs, Post Docs and other staff (20 interviews requested)

NSF/HHS IG Audit Timeline

- Dec 2013: Additional document requests
- April 2015: Discussion Draft received
- April 2015: Exit Conference
- May 2015: Final Audit Draft Report received
- June 2015: George Mason Response submitted
- Jul 2015: Final Audit Report issued

Audit Scope

- Audit at each pilot institution with a capstone report with overall results
- NSF IG lead at George Mason
- Effort reporting and Payroll Certification reviewed during the period January 2, 2010 through March 31, 2013
- Data analytics used to establish transaction pool
- HHS performed IT audit

Audit Process

- Audit process was protracted with long delays between audit contact; change in IG audit team may have been a contributing factor

- Scope was much broader than anticipated

- Data requests were extensive and required coordination amongst several groups on campus

- Onsite interviews included administrators, faculty and all project staff including students

IG Audit Recommendations

We recommended that NSF's Director of the Division of Institutional and Award Support (DIAS) direct George Mason University to:

1) Enforce its written policies for the pilot payroll certification system. Areas needing enforcement include:
   a) Ensuring that annual SPPERs are completed and returned in a timely manner.
   b) Ensuring that costs associated with late SPPERs are transferred to non-sponsored accounts.
   c) Ensuring that bimonthly reconciliations are completed and returned in a timely manner

Audit Recommendations - Response

- The late reports referenced in the report were related to pilot implementation issues that were corrected once identified
  - Programming report generation from the end date instead of start caused issues with partial year extensions
  - Early closeout (less than 60 days after end date)
  - Character limit on PI name (over 25 characters created an error and report was not generated)
- Payroll certification report distribution delayed during university closings (winter break), times of heavy workload, competing priorities and staff leave

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Audit Recommendations - Response

- All reports distributed since January 2011 have been returned to OSP within 60 days of distribution (70% of reports returned within 30 days and 90% within 45 days)

- Policy has been updated to add a table that summarizes report distribution and certification timing requirements. Table reinforces information previously included in the policy, training materials and payroll certification report distribution emails

- Bimonthly reconciliation is a valuable control step and more timely than an after the fact effort report
  - New reporting tools have been developed for faculty and administrators
  - OSP/Controller requested reconciliation be added to FY16 Internal audit plan

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Audit Recommendations

2) Enhance internal controls over information technology as follows:

   a) Implement two-factor authentication for access to Banner.

   b) Implement controls to ensure that passwords for all GMU accounts meet GMU's revised password requirements. In addition, dormant accounts should be reviewed and locked whenever possible.

   c) Implement a process to ensure that accounts eligible for closure are locked.

   d) Implement a process to ensure that Oracle security patches are installed promptly.

   e) Implement a process to ensure that risk assessments are current and accurate and updated when significant changes occur.

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Audit Recommendations - Response

- New CIO hired in December 2013 with an organizational restructuring in February 2015

- Information Technology Governance Group formed to review IT projects and priorities with the IT Security Office closely involved in the process

- A two-factor authentication project is underway. It has been implemented for Systems Engineers and will be expanded to all Internet Native Banner users.

- All other findings have been addressed or are in process of being addressed and risk assessments are current

IG Audit Conclusions

- Meets requirements of OMB Circular A-21

- Issues identified "not as a result of inadequate design of pilot system controls"

- Strong internal controls are important to ensure payroll charges are adequately supported

- Having direct visibility to full payroll allocation "could be an important control"

- Less frequent certification requires diligence in communicating and adhering to control procedures

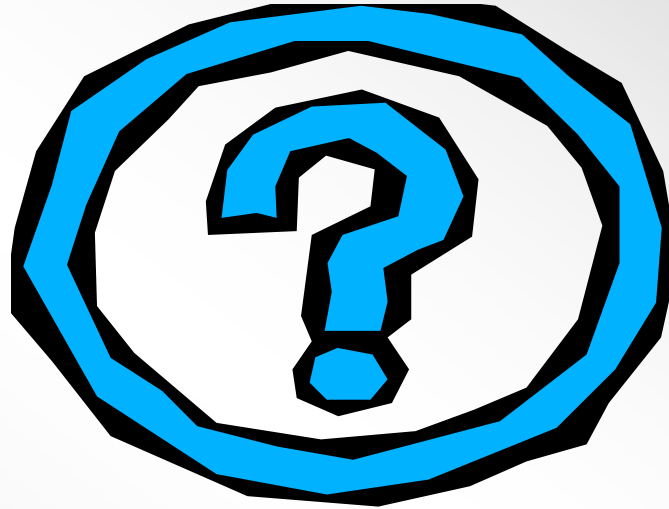GEORGE MASON UNIVERSITY

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Audit – George Mason Conclusions

- We do not feel that late certification is an issue; the programming and procedural implementation issues impacting report distribution for a small number of projects have been addressed

- No findings or errors with funding change forms

- No substantive unallowable costs identified

- Unclear what caused the suggestion that full payroll allocations available to PIs would be useful to ensure accuracy

Audit – George Mason Conclusions

- Resources will continue to focus on the payroll distribution process and bimonthly reconciliation

- IT security has been and will continue to be an area of importance and focus for George Mason

- Payroll Certification has helped us to reduce administrative burden with improved oversight

- George Mason plans to continue using Payroll Certification

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Questions

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