



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

INSPECTION REPORT

NEH GRANT AWARD


TO

AMHERST COLLEGE


AMHERST, MA

(FV-50284-11)

OIG-15-01 (I)



Laura Davis, Inspector General



Date

NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH)

GRANT AWARD TO

AMHERST COLLEGE

I. Introduction

The Office of Inspector General (OIG) has performed an inspection of the Amherst College (the "College") records as they relate to NEH grant award FV-50284-11.

Award Amount: \$171,554

Date of Award: August 1, 2011

Grant Period: October 1, 2011 – September 30, 2012

The NEH award supported a five-week seminar entitled, "Punishment, Politics, and Culture". The seminar examined the nature and limits of punishment, as well as its place in the "American story". Sixteen school teachers participated in the seminar, which took place June 25, 2012 through July 27, 2012. Since 2000, the NEH has made eleven (11) annual awards to Amherst College in support of this seminar.

The College submitted a final Federal Financial Report (SF-425) for the grant on December 21, 2012 and reported total project expenditures of \$115,114. According to NEH accounting records, \$153,114 had been disbursed to the College. On September 18, 2013, the NEH Accounting Office sent a letter to the College requesting the return of the unexpended award funds, (\$38,000). The College resubmitted the final Federal Financial Report on September 27, 2013, reporting total project expenditures of \$153,114. The grantee has asserted that the initial final report was erroneous due to an input mistake. Based on the grantee's SF-425, \$18,440 of the award was unused at project end. The NEH has since deobligated the unused award as part of grant closeout.

II. Inspection Objectives, Scope, and Methodology

The principal objective of this inspection was to verify the propriety of financial reporting related to NEH grant FV-50284-11. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* requires grantees to maintain a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program. The Circular also requires the maintenance of records that adequately identify the sources and application of funds for federally-sponsored activities.

To accomplish this objective, we reconciled the final Federal Financial Report (SF-425) dated September 27, 2013 with the General Ledger (G/L) detail for the project. We selected thirty transactions charged to the NEH grant totaling \$107,436 for detail testing, (which represents approximately 70 percent of the total project expenditures reported to the NEH). We reviewed supporting documentation for the selected transactions to assess consistency

with project objectives and adherence to the requirements of OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (2 CFR Part 215) and OMB Circular A-21, *Cost Principals for Educational Institutions* (2 CFR Part 220).

Our inspection was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, as issued by the Council of the Inspectors General on Integrity and Efficiency.

III. Results

In verifying the propriety of financial reporting related to NEH grant FV-50284-11, we found salary charges that were not substantiated by time and effort documentation. In particular, we noted:

- A discrepancy between salary charges for the Project Director and the confirmed time and effort report for the period to which the charges relate; and
- Insufficient supporting documentation related to Library staff charges to the grant.

OMB Circular A-21 (2 CFR Part 220)¹ provides that the distribution of salaries and wages, whether treated as direct or facilities and administrative (F&A) costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by a method which will 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.

After-the-fact activity reports must reasonably reflect the distribution of activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports must be prepared no less frequently than monthly and must coincide with one or more pay periods.

It is the College's policy that all exempt professional staff receiving compensation through a Federal award must file a Time and Effort report to the Comptroller's Office twice annually. This report is designed to appropriately capture the distribution of the employee's effort during each month covered by the report, the employee's signature, and the Principal Investigator's signature. Typically included in the 'exempt' category are professors,

¹ OMB Circular A-21 (2 CFR Part 220) Appendix A, J.10.b. (1) and (2); J.10.c (2)

instructors, research associates, and assistants. These individuals are paid on a monthly basis. The College's internal policy further provides that charges related to non-exempt employees are supported by a time sheet approved by their superior.

A. Project Director's Salary Charges

According to the time and effort reports signed/confirmed by the Project Director (in the capacity as both the "Employee" and "Principal Investigator"), 20 percent of his effort during the month of June 2012 and 100 percent of his effort during the month of July 2012 were related to the NEH project. Corresponding salary charges to the NEH award for the Project Director were \$24,500 (June 2012) and \$25,367 (July 2012). We take exception to salary charges to the NEH award that are not supported by the Project Director's time and effort reports, (i.e. 80 percent of the June salary charges), inclusive of associated fringe benefit costs and applicable indirect costs.

Total questioned costs due to the discrepancy between the actual salary charges to the NEH award and the supporting time and effort report are computed as follows:

Unsupported salary charges (80% of June salary charges)	\$19,600
Associated fringe benefit charges (\$2,461 * .8)	1,969
Applicable indirect costs [(\$19,600 + \$1,969) * .545]	<u>11,755</u>
Total Questioned	<u>\$33,324</u>

B. Library Staff Charges

Documentation provided during our inspection to support Library staff charges to the NEH award included a spreadsheet detailing the overtime rate and hours expended by four (4) individuals. Individual employee timesheets were not made available to the OIG, nor was there evidence of supervisory approval noted on the forementioned spreadsheet. We noted during other testing procedures that compensation charges to the NEH award for other non-exempt personnel were appropriately supported by Weekly Employee Time Sheets bearing both the employee's signature and the supervisor's signature. Based on this observation, we conclude that (1) established criteria for time and effort reporting by non-exempt employees was not consistently implemented; and (2) documentation submitted in support of Library staff charges to the NEH award is not sufficient. Accordingly, we take exception to the Library staff charges to the NEH award totaling \$2,088 (inclusive of fringe costs).

Recommendations

We recommend that Amherst College:

1. Standardize and communicate time and effort reporting requirements such that all employees at the College, regardless of department, are aware of expectations;

SUMMARY OF GRANTEE'S RESPONSE (OIG RECOMMENDATION 1)

Amherst College formally responded with a letter dated December 1, 2014, (see Attachment 1).

The College agrees with the recommendation and has recently formalized its Time and Effort Policy, which more clearly outlines the requirements. The updated policy will be distributed to all faculty and staff working on grants in December 2014, (see Attachment 2).

2. Implement procedures to ensure that charges to Federal awards are properly supported by and reconciled to competent source documentation;

SUMMARY OF GRANTEE'S RESPONSE (OIG RECOMMENDATION 2)

The College agrees with the recommendation and will, effective January 1, 2015, increase the reporting frequency for staff from two times a year to three times a year in order to improve controls over time and effort reporting. The reports will be completed after spring, summer, and fall terms, allowing for reconciliation of after-the-fact reporting to payroll records in a timelier manner. The Controller's Office anticipates that drafts of these procedures will be completed by January 30, 2015 and the procedures will be implemented before the completion of the six month audit resolution period.

3. Return questioned salary and related charges associated with the Project Director and Library staff totaling \$35,412.

SUMMARY OF GRANTEE'S RESPONSE (OIG RECOMMENDATION 3)

Project Director's Salary Charges: The College disputes the questioned costs, citing a "clerical error", and asserts that the Project Director put in 100 percent effort during the month of June 2012, as indicated on his Summer Salary Form signed in May 2012. However, when he completed the Time and Effort Report, he failed to account for his time spent preparing for the seminar. The Project Director asserts, via a letter to the Inspector General dated December 1, 2014, that he expended 100 percent of his effort in June 2012 towards the NEH grant, (see Attachment 3). The College requests that the NEH consider the Project Director's letter before making a final decision on the allowability of the costs.

OIG EVALUATION OF THE GRANTEE'S RESPONSE

According to OMB Circular A-21, salary charges to Federal awards may be made initially on the basis of estimates developed before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.

Consistent with the College's effort reporting procedures, the Project Director submitted a Time and Effort report (dated August 7, 2012), which accounts for the distribution of his effort during each month covered by the report, (January 1, 2012 to June 30, 2012). The OIG maintains that the June 2012 salary charges to the NEH award should be based on the representation of actual effort expended towards the NEH-supported seminar, as confirmed by the Project Director in August 2012. Accordingly, we retain questioned salary and related charges associated with the Project Director as originally reported, \$33,324.

Library Staff Charges: The College disputes the questioned costs, and provided timesheets supporting the Library staff charges. The College asserts that timesheets were maintained at the time of the inspection, but were not provided because they were not requested.

OIG EVALUATION OF THE GRANTEE'S RESPONSE

After review of the documentation provided by the College, the OIG determined the documentation to be sufficient in supporting the Library staff charges to the NEH award. However, it should be noted that requests for all supporting documentation pertaining to salary transactions selected for OIG testing were communicated to the College during inspection fieldwork. Documentation received from the College, in response to our request, included the Library staff charges spreadsheet, as well as individual Time and Effort reports for other personnel included in our sample. Nonetheless, Library staff questioned costs of \$2,088 have been resolved.

Revised Recommendation 3 (Based on the OIG Evaluation of the College's Response)

We recommend that Amherst College return questioned salary and related charges associated with the Project Director totaling \$33,324.

IV. Exit Conference

Preliminary results of the review were shared with [REDACTED] (Accountant) and [REDACTED] (Project Director) on March 11, 2014.

Attachment 1
Amherst College Official Response



AMHERST COLLEGE

Office of the Controller

December 1, 2014

National Endowment for the Humanities
Office of the Inspector General
Constitution Center
400 7th St SW
Washington, DC 20506
ATTN: Audit Resolution

RE: Inspection Report – Amherst College
NEH Grant FV-50284-11 [OIG-15-01 (I)]

Dear Inspector General:

In response to your letter drafted November 3, 2014 from the National Endowment for the Humanities (NEH) Office of the Inspector General (OIG) regarding the Inspection Report of NEH grant FV-20584-11, included in this letter are our responses to the recommendations noted in the report.

Recommendation 1

Amherst College recognizes the need to standardize and communicate time and effort reporting requirements to all employees involved with grants so that they are aware of expectations. This requirement has been communicated in the past to faculty members and exempt staff working under federal grants on a consistent basis. We have a successful history in receiving these documents back to the business office. The College has recently formalized its Time and Effort Policy which more clearly outlines the requirements. This updated policy will become the revised document that is distributed to all faculty and staff working on grants in December 2014 prior to the College's next time and effort reporting cycle. A copy of this policy is included with this letter as Attachment I.

Recommendation 2

In order to improve our controls over time and effort reporting, the College has decided to increase the reporting frequency for professorial and professional staff. Effective January 1, 2015 the College will require time and effort reports to be completed three times a year instead of the current two. The reports will be completed after spring, summer and fall terms instead of

just spring and fall. This will allow for reconciliation of the after-the-fact reporting to payroll records in a timelier manner.

Additionally, resources will be assigned within the Controller's Office to ensure accurate reporting on the Time and Effort report is achieved. Unusual or inconsistent balances will be investigated.

The Controller's Office is currently working on creating written procedures to ensure that charges to Federal awards are properly supported by and reconciled to competent source documentation. We estimate drafts of these procedures will be completed by January 30, 2015 and we will share the drafts with the NEH for comment. These procedures will be implemented before the completion of the six month audit resolution period.

Recommendation 3

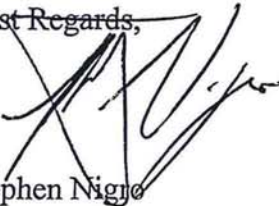
The questioned charges in section III.A. of the Inspection Report are due to a clerical error. The Project Director, [REDACTED], did put in 100% effort during the month of June 2012 as indicated on the Summer Salary Form. When he completed the Time and Effort Report, he only recorded the effort spent conducting the seminar and excluded his time spent preparing for the seminar. Please see the attached letter (Attachment II) from [REDACTED] explaining the discrepancy between the forms. The College contends that the true effort expended on the project for the month of June is 100% and that this expense is justified. We request that the NEH consider the letter from the Professor before making a final decision on the allowability of this expense.

Regarding the Library charges, in Section B of the Results section of the report, it states, "Individual employee timesheets were not made available to the OIG, nor was there evidence of supervisory approval . . .". The College possesses such timesheets received from employees during the time period audited. We were not requested to provide these timesheets during the audit and would have made those available if the need was known at that time. Additionally, the College received an email on March 6, 2014 from the auditor noting, "Everything looked great; any questions I had were answered and all documentation were provided promptly". As you can see, we were not aware that there was any audit information outstanding.

We have included timesheets (Attachment III) supporting the Library staff charges. The College believes that these supervisor-approved timesheets are sufficient documentation to support the Library staff charges. We request that the NEH conduct a second review of these charges taking into account the supplemental support to determine if these charges are now allowable.

Amherst College understands the importance of remaining in compliance with federal grant regulations and best practices. The College is actively working on updating policies and procedures to improve internal controls and further achieve compliance. We look forward to further communication with the NEH as we move toward implementation of the recommendations.

Best Regards,

A handwritten signature in black ink, appearing to read "Stephen Nigro", is written over the printed name. The signature is stylized with a large initial 'S' and a long horizontal stroke.

Stephen Nigro
Controller

Attachment 2
Amherst College Updated Time and Effort Policy

Amherst College Time and Effort Policy

Effective Date: January 1, 2015

Last Updated: November 21, 2014

Per federal grant regulations A-21 (section J.10.c.2.) and CFR 200 (section 200.430 Compensation-personal services), charges to federal awards for salaries and wages must be based on after-the-fact activity reports that accurately reflect the work performed. Salaries and wages charged to federal grants should be consistent with effort expended. The purposes of time and effort reporting are to 1) record all effort expended on grants regardless of compensation received for effort and 2) verify that the percentage of effort spent on a federal grant is not less than the percentage of salary charged to the grant.

Time and Effort System

Amherst College uses an after-the-fact time and effort system to comply with the federal regulations. Compensation is paid based on estimates of effort before the services are performed. The time and effort reports record the actual percentage distribution of all effort expended including time spent on the grant as well as other duties. 100% effort is defined as all effort needed to complete the full set of duties included in Amherst College appointments. Because the number of hours worked per day or week varies for each faculty or staff member, effort is not defined by a specific number of hours. Rather it is based on percentages calculated by dividing time spent on one activity by time spent on all activities related to the College appointment and grant activities. The percent effort for federal research is accounted for separately from other duties at the College such as teaching, administrative work, public service and work on private grants.

Time and Effort reports are completed by all faculty and exempt professional staff involved with federal grants, even if no compensation is received. Employees who work on a grant as part of a cost share requirement are also required to complete these reports. The reports are not completed by non-exempt staff or students that fill out weekly or bi-weekly timesheets. Timesheets serve as after-the-fact reports of actual effort spent on the grant and fulfill the federal requirements for documentation.

Principal Investigators are responsible for verifying that the information provided by all employees working on their grants is accurate.

Frequency of Reporting

Time and Effort reports are completed by all professorial and professional staff three times per calendar year. The reporting template is available on the Amherst College website and is

distributed to all applicable employees prior to the close of the reporting period. Completed reports are sent to the Grant Analyst in the Controller's Office within 30 days after the end of the reporting period. The reporting periods and due dates are as follows:

1. Spring (January 1 to May 31): reports due June 30
2. Summer (June 1 to August 31): reports due September 30
3. Fall (September 1 to December 31): reports due January 30

Review of Reports

If there is a significant difference (>10%) between the time and effort report and compensation, the compensation is adjusted to reflect actual effort expended. The College as well as the federal regulations recognizes that short term fluctuations (such as one or two months) between workload categories may occur. These fluctuations are acceptable if the distribution of salaries over the longer term is reasonable and the final amount charged to the grant is accurate, allowable, and properly allocated. If actual effort expended is less than effort compensated for, the difference in compensation paid is returned to Amherst College by the employee.

Special Considerations

A reduction in effort of more than 25% requires approval from the federal agency. Please contact the Grant Analyst if you foresee a significant reduction in effort so a request to the funder can be sent.

Federal funder approval is required for an absence from the project in excess of 90 days. Please contact the Grant Analyst as far in advance as possible to discuss the absence from the project and to send a request to the funder for approval.

Additional Resources for Information

Grants with start dates prior to December 26, 2014 follow the federal guidelines outlined in Circular A-21. The entire guidance is available online by clicking on the link below:
http://www.whitehouse.gov/omb/circulars_a021_2004/#j

Grants with start dates on or after December 26, 2014 follow the federal guidelines outlined in 2 CFR Part 200. The entire guidance is available online by clicking on the link below:
<http://www.ecfr.gov/cgi-bin/text-idx?SID=75db4c74bd455c57c134fd5b890b7ea0&node=pt2.1.200&rgn=div5>

If you have any questions, please contact the Grant Analyst at x2804.


Attachment 3

**Project Director Letter to the OIG dated December
1, 2014**

AMHERST COLLEGE
P.O. Box 5000, Amherst, MA 01002

Attachment II


Department of Law, Jurisprudence
& Social Thought
Telephone: 413-542-2380


*William Nelson Cromwell Professor of
Jurisprudence and Political Science*
Telephone: 413-542-2308

December 1, 2014

Ms. Laura Davis
Inspector General
NEH
Constitution Center
400 7th Street, SW
Washington, DC 20506

Dear Ms. Davis:


I have been asked by  to clarify the amount of time I devoted to work under grant FV-50284-11 in June, 2012.

The Summer Salary Form I filled out and signed on May 3, 2012 saying I would be devoting 100% effort to work on the grant reflects what I in fact did during that month. 100% of my time and effort during June 2012 was devoted to my NEH Seminar.

I spent the month readying for the arrival of the participants, finalizing a syllabus for my seminar, preparing materials needed for the seminar, developing lesson plans for the entire seminar, planning an opening social event, and, in the last week in June teaching the seminar as well as meeting individually with each participant. The results of this work are reflected in the participants' very positive evaluations of the seminar.

To the best of my recollection, when I filled out the time and effort report in August, 2012, I erroneously reported only the amount of time spent in teaching/leading the seminar once the participants arrived and meeting individually with them (the participants arrived and the seminar began that year on June 24, 2012) rather than the total time and effort devoted to activities under this grant during the month of June. This simply was a mistake, and I apologize for the error.

Sincerely,

 *W. Nelson*