BRIDGING THE GAP

Ask the Auditor

Wanda Lynn Riley
Chief Audit Executive
October 15, 2015

Ask the Auditor

BRIDGING THE GAP

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Question: Personal Cell Phone, UC Service

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A Principal Investigator (PI) has a legitimate need for a business cellphone, as he uses his personal cell phone quite often for work. There are no additional charges to his bill for the work usage, but he would like to use his campus funds to pay for his phone. He proposed ordering a new phone through IST and paying for it by department chartstring, but then would personally reimburse the cost of the physical phone. It would be his work and personal phone. He then proposes that the department pay for monthly charges. He can get a better discount if "campus" orders and pays for it, rather than approaching the carrier for the general 15% staff discount.

Question: Personal Cell Phone, UC Service

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Even if the fund source is allowable for this kind of purchase and even if the department authorizes it, I still have concerns:

1) Once he personally reimburses the department for the cost of the phone, does that transfer ownership to him?
2) Does policy allow faculty/staff to personally benefit from the university's purchasing power?
3) If ownership is not transferred and it remains campus property, should we trust that any personal use of the device is not adding additional costs that should be reimbursed to campus?

This is an issue that more often arises around laptop computers--a faculty member wants to use Bearbuy to place a departmental order to get the special UC pricing, then tries to reimburse the department so they can call the laptop their own.

Question: Personal Cell Phone, UC Service

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Does policy allow faculty/staff to personally benefit from the university's purchasing power?

A. Yes
B. No
C. It depends

Answer: Personal Cell Phone, UC Service

BRIDGING THE GAP

Does policy allow faculty/staff to personally benefit from the university's purchasing power?

A. Yes

B. No

C. It depends

Answer: Personal Cell Phone, UC Service

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If UC is paying for the phone, then UC needs to purchase and own the phone. It looks like UC can probably legitimately purchase the phone that the PI wants for his use, but if he wants to own a phone just like it, then he will need to buy a second phone for himself.

The other question is "when can I buy equipment that UC already owns?" The answer is that UC has policies about selling excess and obsolete equipment that are designed to specifically avoid the possibility that any employee "gets a deal" on equipment that she uses at work, in order to avoid fraud upon the public purse.

Some of our purchase programs allow employees to make direct personal buys at a UC negotiated rate. If there is no such provision in the program, then using the program for personal purchases would be a breach of the contract between the vendor and UC.

Resources: Personal Cell Phone, UC Service

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- BFB-G-46: Guidelines for the Purchase and Use of Cellular Phones and Other Portable Electronic Resources

  http://policy.ucop.edu/doc/3420357/BFB-G-46
- BFB-BUS-38: Disposition of Excess Property and Transfer of University-Owned Property

  http://policy.ucop.edu/doc/3220479/BFB-BUS-38
- BFB-BUS-43 Materiel Management

  http://policy.ucop.edu/doc/3220485/BFB-BUS-43

Rich Taylor, Director Procurement Strategies

Eric Anglim, Director Property Management and Library Bindery

Question: Multi-Location Agreements Invoice Detail

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What level of audit should we at the department/unit level do regarding MLA (Multi-Location Assignments) invoices?

Currently MLA invoices do not provide sufficient detail to determine if they are allowable, allocable, and reasonable (e.g. do not show pay rate or hours/days worked.

Additionally our internal process for approving MLA invoices does not allow the principal investigator to reject payment of an invoice.

Question: Multi-Location Agreements Invoice Detail

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At a minimum, what information should the home campus' invoice for a multi-location agreement include?

A. Vendor contact information, purchase order number, invoice number, date, and amount
B. The rate of pay per the agreement (e.g. monthly or hourly rate), the time or effort compensated (e.g. 40 hours or 50% FTE), the period covered by the invoice
C. Enough information to validate compliance with the agreement
D. A and B
E. All of the above

Answer: Multi-Location Agreements Invoice Detail

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At a minimum, what information should the home campus' invoice for a multi-location agreement include?

A. Vendor contact information, purchase order number, invoice number, date, and amount
B. The rate of pay per the agreement (e.g. monthly or hourly rate), the time or effort compensated (e.g. 40 hours or 50% FTE), the period covered by the invoice
C. Enough information to validate compliance with the agreement as well allowable, allocable, and reasonable to the specific sponsored project
D. A and B

E. All of the above

Resources: Multi-Location Agreements Invoice Detail

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For assistance evaluating the level of invoice detail and working with the home campus to obtain additional invoice information contact

Dan Parnas, Accounts Payable Operations Manager

dparnas@berkeley.edu

For assistance contracts and grants compliance contact

Todd Vizenor, Compliance Manager

t_vizenor@berkeley.edu

Question: Direct-Billed Airfare

BRIDGING THE GAP

What is the recommended process for approval and reconciliation of Directly-Billed Connexxus expenses? When a flight is Directly Billed, the charge shows up in that month but the travel is not reconciled until after the trip occurs. When reservations are made for trips months in advance, that means that we have Connexxus charges on our ledger which we haven't reconciled to a travel voucher yet. Is there any advice from the auditor on what counts as proper documentation for a Connexxus expense before the trip occurs.

Question: Direct-Billed Airfare

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There is an automated link between the direct-bill system and the travel reimbursement voucher system.

A. True
B. False

Answer: Direct-Billed Airfare

There is an automated link between the direct-bill system and the travel reimbursement voucher system.

A. True

B. False

Answer: Direct-Billed Airfare

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As a part of the monthly financial review reconcile directly billed airfare to the travel reimbursement voucher as that is where the campus official approval of the trip is documented. The travel voucher should include the direct- bill ID number for the airfare.

Answer: Direct-Billed Airfare

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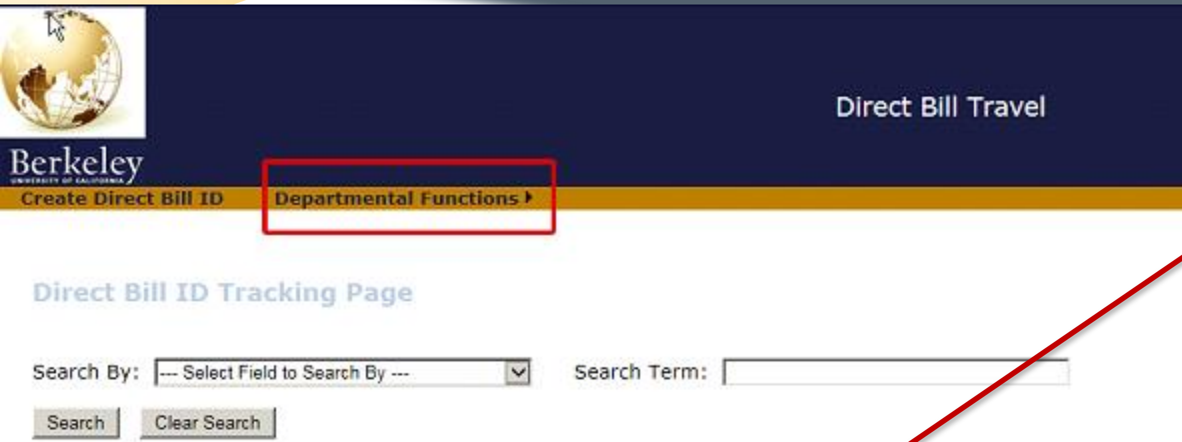


Direct Bill ID

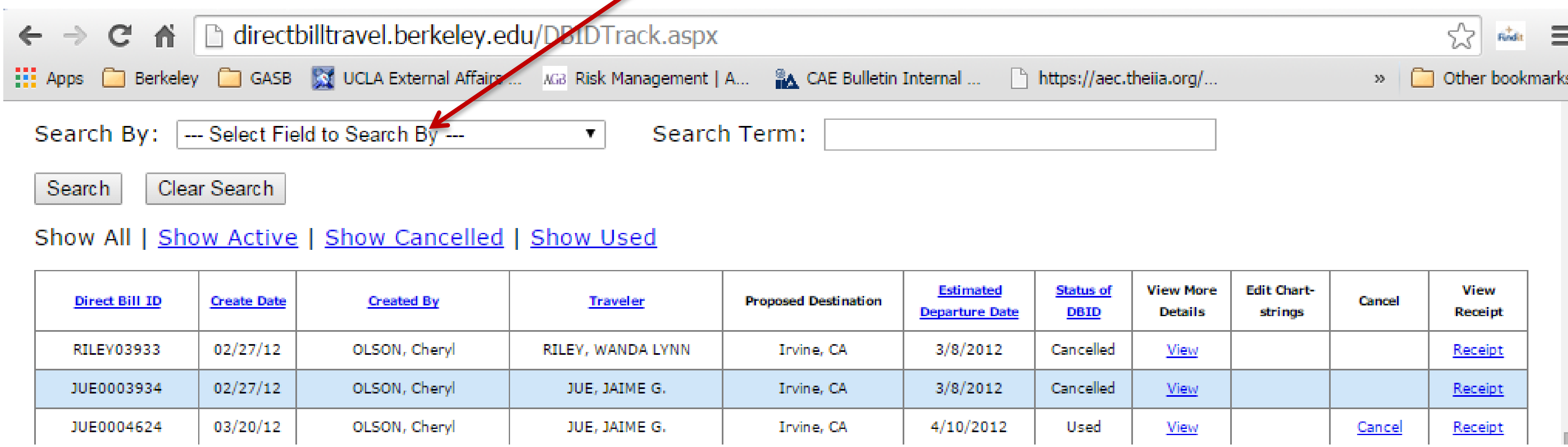
Date Created

Name of Direct Bill ID Creator

Traveler's Name

Dept ID Charged for Travel

Fund Charged for Travel



Direct Bill ID	Create Date	Created By	Traveler	Proposed Destination	Estimated Departure Date	Status of DBID	View More Details	Edit Chart-strings	Cancel	View Receipt
RILEY03933	02/27/12	OLSON, Cheryl	RILEY, WANDA LYNN	Irvine, CA	3/8/2012	Cancelled	View			Receipt
JUE0003934	02/27/12	OLSON, Cheryl	JUE, JAIME G.	Irvine, CA	3/8/2012	Cancelled	View			Receipt
JUE0004624	03/20/12	OLSON, Cheryl	JUE, JAIME G.	Irvine, CA	4/10/2012	Used	View		Cancel	Receipt

Answer: Direct-Billed Airfare

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Date Intiated: 2/20/2014 8:38:34 AM
Date Submitted for Review: 2/20/2014 8:51:00 AM

TRV000356317

University of California, Berkeley

JUE,JAIME G.
I am a US Citizen
I am a UC Employee/UC Student
Vendor ID: E012316564

Liability Insurance: Unknown
License Number:
City of Residence:

Preparer Name: Davies, Elizabeth
Preparer Phone: +1 510 664-9298
Preparer E-Mail: ebdavies@berkeley.edu
Processing Unit: FDAUD

Trip Purpose: Attended UC All Auditors FOrum in Irvine, CA; January 26-28, 2014.
Department Description: Attend UC All Auditors Forum
Irvine, CA from 1/26/2014 8:00:00 AM until 1/28/2014 11:00:00 PM
Travel expenses for Irvine, CA

Form of transit	Miles	Remarks	Amount
Airfare		SFO-SNA rt; DBID:JUE0020367	$123.30

Transportation Expenses Subtotal(CTS Not Included): $0.00

Miscellaneous Expenses Subtotal: $0.00

Daily expenses from 1/26/2014 8:00:00 AM until 1/28/2014 11:00:00 PM

1/26/2014	Meals and Incidentals: $0.00	Lodging: $129.00
1/27/2014	Meals and Incidentals: $0.00	Lodging: $129.00
1/28/2014	Meals and Incidentals: $0.00	Lodging: $0.00

Meal and Incidentals Subtotal: $0.00 Lodging Subtotal: $258.00
Daily Expenses Subtotal: $258.00

Business	Account	Fund	DeptID	Program	ChartField1	ChartField2	Charge
1	57213	69750	21485	72			$258.00

CTS: $123.30

Voucher Total: $258.00
Voucher Reimbursable Amount: $258.00
Advance #: $0.00
Check Amount: $258.00

I certify that the above is a true statement,that the expenses claimed were incurred by me on official University business on the dates shown, and that I have attached original receipts for each expense of $75 or more, as required by University policy.

Authorizing Name and Title (Print)

Traveler Signature Required Date Authorizing Signature Required Date

Traveler's Copy Department Copy Employee's Copy

Resources: Direct-Billed Airfare

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If you need access to the travel reimbursement voucher system, contact the CSS-BFS team for assistance.

- B&FS: bnfscsshelp@berkeley.edu
- B&FS: 510-664-9000, option 2

There is a travel workgroup addressing travel issues. To ask questions or make suggestions for improving the process, contact

- Ashley Anderson, Operations Accounting Manager aeandersen@berkeley.edu

Question: Vacation Accrual/Usage

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Need clarification on vacation accrual/usage on sponsored projects. On federal awards I've seen vacation usage (credits) exceed vacation accrual (debits). This leaves a credit in the balance for Other Employee Compensation.

It seems like this could potentially be equivalent to moving money from one federal award (that was previously debited for an employee's vacation accrual) to another federal award (the award that receives the usage/credit).

Is this a problem?

Question: Vacation Accrual/Usage

BRIDGING THE GAP

When did the campus transition to factorial leave accrual?

A. November 1, 2014 for all employees
B. November 1, 2014 for non-academic appointments
C. November 1, 2014 for academic appointments

Question: Vacation Accrual/Usage

BRIDGING THE GAP

When did the campus transition to factorial leave accrual?

A. November 1, 2014 for all employees

B. November 1, 2014 for non-academic appointments

C. November 1, 2014 for academic appointments

Answer: Vacation Accrual and Usage

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2 CFR 200

§200.431 Compensation—fringe benefits.

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity employee agreement, or an established policy of the non-Federal entity.(b) Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including Federal awards; and,

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

Answer: Vacation Accrual and Usage

BRIDGING THE GAP

Per UCOP, the assessment rates are designed to accumulate in the Vacation Leave Liability account only enough funds to cover the current fiscal year expenditures for vacation leave usage and related employee benefit payments. The assessment rates should be reviewed and adjusted each year by campus with the goal of achieving a zero balance in the Vacation Leave Liability account at the end of the fiscal year. When the University first implemented the payroll assessment process for vacation pay, full accrual rate was considered and rejected due to funding was not available to fully fund this process, especially for state General Funds. While this partial accrual/assessment was not the best approach, at the time it was a marked improvement from the practice of charging the current funding source as vacation was taken. In addition, a year end process to record the full liability for financial reporting purpose has been introduced. This process does not record the additional liability to individual funds but in aggregate to reflect the correct amount of liability in the annual statements. This practice was implemented almost 20 years ago and has not been questioned by federal auditors or our external auditors. We are in the process of transitioning to a system of full accrual rate (the rate vacation days are earned).

Resources: Vacation Accrual and Usage

BRIDGING THE GAP

- Leave assessment is discussed in the Accounting Manual P-196-13 on pages 7-8 (http://policy.ucop.edu/doc/3410255/AM-P196-13).
- Additional information may be found on the Controller's webpage at http://controller.berkeley.edu/pps-leave-accrual-and-usage-overview.
- For questioned questions related specifically to sponsored projects, contact

Contracts and Grants Accounting	or	Campus Shared Services-Research Administration
Phone (510) 643-4246		Phone (510) 664-9000, option 4
E-mail: CGAawards@berkeley.edu		E-mail racsshelp@berkeley.edu

Question: Composite Fringe Benefits (1)

BRIDGING THE GAP

- FY16 fringe rates increased effective 7/1/15 but old fringe rates are currently still being charged to funds. We've been told to expect retroactive fringe adjustments in the next month.
- How does this affect grants that closed after 6/30/15 but before fringe is adjusted?
- When payroll transfers are done, the fund that is debited incurs the new fringe rate, even if the expense occurred during last fiscal year.
- Is this a problem?

Answer: Composite Fringe Benefits (1)

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- For most sponsored projects, there is a 90 to 120 day close-out period after an award ends. During close-out it is typical for adjustments to be identified and posted. Retroactive adjustments for July and August composite fringe benefits were processed on the September ledger within the close-out period.

- See September 14, 2015, letter from Executive Director Paula Milano at http://scr.berkeley.edu/sites/default/files/Composite_Benefit_Rates_Communication_9142015.pdf

Question: Composite Fringe Benefits (2)

BRIDGING THE GAP

When payroll transfers are done, the fund that is debited incurs the new fringe rate, even if the expense occurred during last fiscal year. Is this a problem?

Question: Composite Fringe Benefits (2)

BRIDGING THE GAP

When payroll transfers are done, the fund that is debited incurs the new fringe rate, even if the expense occurred during last fiscal year. Is this a problem?

A. Yes

B. No

C. It depends

Answer: Composite Fringe Benefits (2)

BRIDGING THE GAP

When payroll transfers are done, the fund that is debited incurs the new fringe rate, even if the expense occurred during last fiscal year. Is this a problem?

A. Yes

B. No

C. It depends

Answer: Composite Fringe Benefits (2)

As a practical matter the debit transaction is assessed the composite fringe benefit rate effective at the date of the cost transfer which is higher.

- –Is the additional expense allowable?
- –Is the additional expense reasonable?
- –Is the additional expense allocable?

Answer: Composite Fringe Benefits (2)

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Is the additional expense is allowable?

§ 200.403 Factors affecting allowability of costs.

(a) Be necessary and reasonable

(b) Conform to any limitations or exclusions of the Federal award (c) Be consistent with policies and procedures

(d) Be accorded consistent treatment.

(e) In accordance with generally accepted accounting principles (GAAP), except, for state and local governments

(f) Not used to meet cost sharing or matching requirements

(g) Be adequately documented.

Answer: Composite Fringe Benefits (2)

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Is the additional expense is reasonable?

§200.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

(a) Ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.

(b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.

(c) Market prices for comparable goods or services for the geographic area.

(d) Acted with prudence in the circumstances.

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Answer: Composite Fringe Benefits (2)

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Is the additional expense is allocable?

§ 200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

(1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Question: F&A Rate Applied to Cost Transfers

BRIDGING THE GAP

Effective 7/1/15, cost transfers that move charges from prior years to FY2016 incur the current facilities and administrative cost (IDC) rate, even if the original charge occurred in the previous fiscal year. How can we be sure that this complies with federal sponsors?

Answer: F&A Rate Applied to Cost Transfers

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	7/1/2012 through 6/30/2013	7/1/2013 through 6/30/2014	7/1/2014 through 6/30/2015	7/1/2015 through 6/30/2016
Sponsored Research				
On-campus	55.5	56.5	56.5	57.0
Off-campus	26.0	26.0	26.0	26.0
Space Sciences Laboratory				
On-campus	40.0	40.0	40.0	40.0
Off-campus	24.5	24.5	24.5	24.5
Other Sponsored Projects				
On-campus	38.0	38.0	40.0	40.0
Off-campus	16.5	16.5	16.5	16.5
Intergovernmental Personnel Act Agreements				
	8.0	8.0	8.0	8.0
Sponsored Instruction (The F&A rate used for most federally sponsored training awards is 8% of total costs.)				
On-campus	50.5	50.5	50.5	50.5
Off-campus	26.0	26.0	26.0	26.0
The final rates above will continue after June 30, 2016 until amended.				

Same principles need to be considered as with the change in the composite fringe benefit rate.

Question: Charitable Cash Donations

BRIDGING THE GAP

Are cash donations to charitable organizations an allowable University expense?

Question: Charitable Cash Donations

BRIDGING THE GAP

Are cash donations to charitable organizations an allowable University expense?

A. Yes
B. No
C. It depends

Question: Charitable Cash Donations

BRIDGING THE GAP

Are cash donations to charitable organizations an allowable University expense?

A. Yes
B. No
C. **It depends**

Answer: Charitable Cash Donations

BRIDGING THE GAP

Generally, cash donations to charitable organizations are not an allowable University expense. (BFB-G-42: Gifts Presented to Non-Employees on Behalf of the University) There are three exceptions.

1. A nonprofit community or charitable fundraising event includes a cash donation as part of the meal or registration fee.
2. A cash donation may be made in memory of due to death or in support of due to major illness of an individual associated with the University not to exceed $200 per individual per calendar year.
3. Administrative Funds are provided, by action of The Regents, to the Chancellors as an additional resource that would otherwise not be available for the performance of their official responsibilities. Allowable uses of these funds include cash contributions to non-employees or to external organizations on behalf of the University.

Answer: Charitable Cash Donations

BRIDGING THE GAP

Additionally, University policy does not permit contributions in connection with any event sponsored by an organization associated either directly or indirectly with a political party, campaign, candidate, or group engaged in an attempt to influence legislation, elections, referenda, or similar activities. The funding sources for the cash donation may not include state funds or federal, local government and private contracts and grants unless specifically authorized in the agreement. Various non-state funds such as endowments and gifts may be used. As in all University transactions, campus community members must be mindful of conflicts of interest and the appearance thereof.

Resources: Charitable Cash Donations

BRIDGING THE GAP

- BFB-G-42: Gifts Presented to Non-Employees on Behalf of the University (http://policy.ucop.edu/doc/3420354/BFB-G-42)
- University of California – Policy BUS-79 Expenditures for Business Meetings, Entertainment, and Other Occasions (http://policy.ucop.edu/doc/3420364/BFB-BUS-79)
- Accounting Manual Administrative Fund Payments A-253-27 (http://policy.ucop.edu/doc/3410193/AM-A253-27)

For additional questions, contact

Dan Parnas, Accounts Payable Operations Manager

dparnas@berkeley.edu

Audit and Advisory Services Staff

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- Wanda Lynn Riley, Chief Audit Executive | wlriley@berkeley.edu | 642-8293
- Jaime Jue, Associate Director | jgjue@berkeley.edu | 642-2064
- Cheryl Olson, Executive Assistant, | colson@berkeley.edu | 642-8292
- Chad Edwards, Principal IT Auditor | chedwards@berkeley.edu |642-2123
- Jennifer Jones, Principal Auditor | jejones@berkeley.edu | 642-2141
- Dorothy Lipari, Principal Auditor | dlipari@berkeley.edu | 642-2286
- Tanaiia Hall, Senior Auditor | thall@berkeley.edu | 642-8503

Other Resources

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Visit or mail us at:

Audit and Advisory Services

611 University Hall MC 1170

Visit our website at http://audit.berkeley.edu

Submit future questions to:

audit@berkeley.edu or

http://audit.berkeley.edu/services/ask-auditor/submit-your-question