LIMITED AUDIT REPORT

NEH GRANT AWARD

TO THE

EASTERN MICHIGAN UNIVERSITY

[PD-50002-06]

OIG-14-01 (EA)

Laura Davis, Inspector General

February 12, 2014

Date
LIMITED AUDIT REPORT
NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH)
GRANT AWARD
TO THE
EASTERN MICHIGAN UNIVERSITY

I. INTRODUCTION

The Office of Inspector General (OIG) has performed a limited audit of the Eastern Michigan University (the "University") records as they relate to the following NEH Division of Preservation and Access grant award.

<table>
<thead>
<tr>
<th>Grant Number</th>
<th>Grant Period</th>
<th>Amount Awarded</th>
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</thead>
<tbody>
<tr>
<td>PD-50002-06</td>
<td>5/1/2006 – 4/30/2012</td>
<td>$228,026</td>
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Grant Expenditures: The intent of the grant award was to document Wichi, an indigenous language of South America. Resulting materials were to include a dictionary, grammar reference guide, collection of morphologically analyzed and translated texts in two versions – one for linguists and one for non-specialists, related website, online database, and archived recordings. The grantee has submitted the final financial report to the NEH and conveyed that the related expenditures conform to the intended grant purpose, as stipulated in the individual NEH grant award.

II. BACKGROUND

University linguists, in conjunction with graduate students and locally trained community researchers, planned multiple site visits to Argentina’s Wichi speaking region to document this endangered language. The multi-year NEH award entitled, "Wichi Documentation, Description, and Training", totaled $228,026. Due to various setbacks to include project director illness and dengue fever outbreak in Argentina, the anticipated scope of work was curtailed and resulted in the deobligation of approximately $62,000 in award funding.

III. LIMITED AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The principal objectives of this limited audit were to determine 1) whether grant expenditures were made in accordance with applicable provisions of the Documenting Endangered Languages (DEL) Program guidance, NEH’s General Terms and Conditions for Awards to Organizations (GTAC), and the terms of the approved grant award; 2) the underlying reasons that led to a) the delinquent filing of the final financial and performance reports and b) the reduction in project scope; and 3) whether proper controls over the use of the Federal funds existed in accordance with minimum standards prescribed by OMB Circulars A-110\(^1\) (2 CFR Part 215) and A-21\(^1\) (2 CFR Part 220).

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\(^1\) OMB Circular A-110: Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; and OMB Circular A-21: Cost Principles for Educational Institutions
We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) as promulgated by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We examined documentation provided by the University supporting the allowability of expenses charged to the NEH grant; reviewed the organization’s audited financial statements along with certain accounting/finance procedure manuals; gained an understanding of the applicable accounting systems and internal controls; and held conference calls and exchanged emails with University management.

IV. SUMMARY RESULTS OF LIMITED AUDIT

The following summary level issues were identified:

- Grant expenditure testing identified unallowable costs totaling $3,093.60 and questioned costs approximating $700;
- The University missed filing deadlines associated with the final grant reports (both performance and financial). In fact, submission of the reports did not take place until the OIG became involved; and
- Several unfortunate events prevented the grantee from completing the proposed project deliverables resulting in the deobligation of almost $62,000 in grant funds.

V. LIMITED AUDIT FINDINGS AND RECOMMENDATIONS

A. Questioned Grant Costs

Based upon our testing of approximately ninety-five percent of the NEH grant expenditures, the University’s internal controls over grant expenditures generally appear to be working. However, two discrepancies were noted:

1. Duplicate Billing: We determined that the grantee erroneously double-billed NEH for plane tickets associated with the 2007 site visit to Argentina ($3,093.60). It appears that a lack of communication between the two primary researchers, who work at two separate institutions -- EMU and University of Utah, resulted in both individuals submitting the expense for payment. Since the underlying documents associated with the University of Utah (subrecipient) invoices were not scrutinized, EMU’s accounts payable review processes failed to identify the duplicate billing situation.

2. Improper Per-Diem Rate: One of these transactions related to the 2010 Pilcomayo region site visit (Northern Argentina). The trip lasted forty-seven days resulting in total per diem charges of $4,371. Through our review of the supporting documentation, we determined that the University used the higher GSA\(^2\) daily per diem rate associated with Buenos Aires instead of the lower rate applicable to Northern Argentina. The daily differential of $15 resulted in a cumulative difference of $705, thus leading the OIG to question these costs.

\(^2\) U.S. General Services Administration
Recommendation A

1. **Duplicate Billing:** We recommend that the University 1) return the $3,093.60 to NEH and 2) ensure documentation supporting subcontractor invoices is collected and reviewed for propriety.

2. **Improper Per-Diem Rate:** We recommend that the University 1) return the $705 to NEH and 2) Accounts Payable staff involved with Federal grants, receive refresher training concerning Federal travel regulations and, in particular, allowable per-diem rates. As this was the only expense transaction charged to the grant involving per diem rates, we could not determine whether this represented an isolated incident or was part of a larger systemic problem.

University management subsequently informed us that a new travel policy concerning per-diem rates was instituted in the year following the trip discussed above. Specifically, the organization adopted one standard meal rate, applicable for all travel, that conforms to the lowest approved Federal rate. Although we did not test any current travel vouchers for compliance, it appears that the policy change (effective 2011) should guard against the recurrence of per-diem overbilling issues.

**SUMMARY OF GRANTEE’S RESPONSE**

University management agrees with the findings and will return the aforementioned questioned costs. Furthermore, corrective measures have been instituted to guard against duplicate billing and the University recently adopted the Concur travel system which provides additional edit checks to guard against the use of improper per-diem rates.

**B. Delinquent Final Reports & Grantee Report Monitoring Procedures**

The University missed filing deadlines associated with final reporting, as required by the terms of the grant award. NEH-OIG initially became aware of this situation upon the issuance of the third (or 90-day) "Delinquency Notice" by the NEH Office of Grant Management. This automated communication, which is emailed to the Project Director and the Institutional Grant Administrator on record, informs the project officials of the delinquency status of financial and/or performance reports. Delinquency notices are issued monthly, beginning thirty days after the final reporting deadlines.

The OIG determined that the final financial report and two performance reports (to include the final) were excessively late. Our testing led to the following determinations:

- **Final Financial Report:** Preparation and submission of the financial reports falls under the purview of the Sponsored Research Accounting (SRA) department. The department submitted final SF-270 (Request for Advance or Reimbursement) and SF-272 (Federal Cash Transaction Report) reports within fifteen days of the grant expiration date of April 30, 2012. Management was unaware that these older forms had been superseded by the new Form SF-425 (Federal Financial Report). Furthermore, the University failed to notify the NEH Office of Grant Management of the change in the Institutional Grant Administrator. Therefore, the delinquency notices intended for this individual were routed to an inactive email account and thus never acted upon by SRA management. Once the NEH Program Officer became

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3 The OIG confirmed that the University's current daily per-diem rate for meals ($41) falls below the lowest approved rate in the FY2013 GSA-approved Federal travel guidelines.
actively involved, the University promptly prepared and submitted the SF-425 within a matter of days (dated November 27, 2012).

- **Performance Report (Second Interim and Final):** Responsibility for submitting performance reports rests with the Principal Investigator (PI) and his/her home department. In this case, the PI simply failed to complete the required reports and disregarded the past-due notices. Furthermore, the delinquency notices intended for the Institutional Grant Administrator were routed to an inactive email account (as discussed above). Accordingly, supervisory staff remained unaware of the situation until the NEH Program Officer became actively involved. The final performance report was ultimately submitted on January 10, 2013.

Based upon the above facts and circumstances, it’s evident that certain internal controls regarding grant reporting broke down.

**Recommendation B**

Although EMU management believes the unique facts and circumstances associated with this case represent an isolated incident, the OIG recommends that the University consider implementing several new procedures to safeguard against a recurrence as follows:

- Expand SRA’s departmental responsibilities to include oversight of both the financial and performance reports. This would entail the additional task of coordinating with the Principal Investigator to ensure the University submits performance reports in a timely fashion.

- Develop new procedures to immediately notify NEH (or any other Federal funder) of any Principal Investigator or Institutional Grant Administrator staffing changes. This step will ensure any past-due notices and/or other automated communications from NEH are properly delivered to valid email addresses.

- If not already in place, link the preparation and timely filing of performance reports to the Principal Investigator’s job evaluations.

Management subsequently notified us that the University plans to create a new VP/Provost position to oversee the research and grant activities. This individual will be responsible for developing and updating existing procedures to ensure better communication with the institution’s deans and department heads, among other things. The University should take our recommendations into consideration as part of this process.

**SUMMARY OF GRANTEE’S RESPONSE**

University management agrees with the finding and is currently taking corrective action to address the concerns raised by the audit report. Specifically, the grantee allocated additional funding to create three new positions devoted to grant oversight. The hiring process related to these newly created Research Compliance Officer (1) and Post-Award Manager (2) positions should be completed within the next 30 to 45 days. Additionally, new protocols are being drafted to ensure sponsors are promptly notified whenever key staffing changes (associated with grants) take place; and, moving forward, the University email linked to Federal grant awards will no longer be associated with a specific employee. Rather, the Sponsored Research department has created an institutional email account which will prevent future grantor communications from being improperly misdirected and/or deleted.
C. Incomplete Project Deliverables

The University failed to complete the budgeted scope of services due to a combination of factors. In particular, the two principal investigators encountered health issues that prevented travel and dengue fever outbreaks in the Wichi region of Argentina further prevented access to the endangered language speakers. In the end, the grantee simply ran out of time (after receiving several extensions from NEH) and could not complete the anticipated scope of work. To the grantee’s credit, the project team did not attempt to spend all of the grant funds, possibly in a reckless fashion, as evidenced by the recent deobligation of almost $62,000 and the limited number of questioned costs/findings associated with the detailed expenditure testing performed by our office.

Recommendation C

Although no attempt to deceive or mislead the Agency was identified in this case, we believe management should consider implementing new procedures to ensure the University communicates potential project scope reductions or missed deliverables at the earliest possible date. This will allow the NEH Program Officers to work with University project staff mid-stream concerning possible budget/project modifications, and guard against unwanted “surprises” towards the conclusion of a grant award.

SUMMARY OF GRANTEE’S RESPONSE

University management agrees with the finding. In addition to the corrective measures previously discussed, new policy and procedures were developed to specifically address this point. The new policy requires the PI to contact the Office of Research and Development (ORD) whenever certain events transpire such as change in key personnel, reduction in effort, and change in project scope. This will prompt external discussion with the grantor, if necessary.

VI. EXIT CONFERENCE

The results of our limited audit were shared with University management (Manager of Sponsored Research Accounting and Interim Director of the Office of Research Development) in February 2013. With the subsequent identification of the duplicate billing situation, a follow-up communication took place with (Grants Accountant and Interim Manager) in December 2013. Grantee management generally agrees with the above internal control recommendations and asserted that reforms will be made promptly. The University subsequently provided the OIG with a formal response to the audit report, to include corrective action measures, in February 2014. A complete copy of this correspondence is attached.
GRANTEE RESPONSE
TO AUDIT REPORT
February 6, 2014

National Endowment for the Humanities
Office of Inspector General
ATTN: Audit Resolution Section
1100 Pennsylvania Avenue NW, Room 419
Washington, DC 20506

RE: Audit Report: OIG-14-01 (EA)

Dear Ms. Davis:

Below you will find the audit response for the audit report: OIG-14-01 (EA). This is for the National Endowment for the Humanities (NEH) grant award PD-50002-06 entitled "Wichi Documentation, Description, and Training."

RECOMMENDATION A

1. Duplicate Billing: We recommend that the University 1) return the $3,093.60 to NEH and 2) ensure documentation supporting subcontractor invoices is collected and reviewed for propriety.

   Eastern Michigan University will be returning the $3,093.60 for the duplicate billing. We will ensure that all PIs have reviewed and approved all subcontractor invoices and any expenditures related to those invoices.

2. Improper Per-Diem Rate: We recommend that the University 1) return the $705 to NEH and 2) Accounts Payable staff involved with Federal grants, receive refresher training concerning Federal travel regulations and, in particular, allowable per-diem rates, we could not determine whether this represented an isolated incident or was part of a larger systemic problem.

   University management subsequently informed us that a new travel policy concerning per-diem rates was instituted in the year following the trip discussed above. Specifically, the organization adopted one standard meal rate, applicable for all travel, that conforms to the lowest approved Federal rate. Although we did not test any current travel vouchers for compliance, it appears that the policy change (effective 2011) should guard against the recurrence of per-diem overbilling issues.

   Eastern Michigan University will be returning the $705.00 for using the incorrect per-diem rate.

   Eastern Michigan University’s per-diem reimbursement policy allows $41 per day for domestic travel. For international travel, our policy is to reimburse 75% of the Government Services Administration (GSA) rate. In the fall of 2013, EMU implemented the Concur travel system which
limits and automates the rate available, depending upon the type of travel
(domestic/international).

RECOMMENDATION B

Although EMU management believes the unique facts and circumstances associated with this case represent an isolated incident, the OIG recommends that the University consider implementing several new procedures to safeguard against a recurrence as follows:

While Eastern Michigan University does believe this was an isolated incident, it does recognize the importance of, and need for appropriate research infrastructure and additional standard operating procedures. A number of items are underway that will address the concerns presented by NEH.

• Expand SPA’s departmental responsibilities to include oversight of both the financial and performance reports. This would entail the additional task of coordinating with the Principal Investigators to ensure the University submits performance reports in a timely manner.

This fall, EMU’s Division of Academic Affairs committed resources to expand its research infrastructure. This expansion includes two new Post-Award Manager positions. The search is underway and hiring is expected within the next 30-45 days. While these positions are housed under the Office of Research Development and not SPA, Post Award Managers will be providing direct support for many financial management and some administrative management tasks for grants and contracts. One of these tasks will be working with the PI and SPA to prepare a completed close-out package that will contain financial reports, as well as performance/technical reports. The Post Award Managers will also be key in addressing some of the other items of this recommendation.

• Develop new procedures to immediately notify NEH (or any other Federal funder) of any Principal Investigators or Institutional Grant Administrator staffing changes. This step will ensure any past-due notices and/or other automated communications from NEH are properly delivered to valid email addresses.

EMU believes the following three actions will address this recommendation:

1) ORD, SPA, and Academic Human Resources are drafting a procedure to ensure the University meets its obligation to notify Sponsors when staffing changes for PI, Co-I, or Senior Personnel are made. A process has been put in place so that Academic Human Resources will notify the Office of Research Development when grant-active personnel go on leave-of-absence.

2) In addition, the Post Award Managers will be working directly with the PIs and their departments to execute Personnel Appointment Forms (PAFs) and monitoring appointments to grants. If there is an anticipated reduction in load, the Post Award Managers through the Office of Research Development will be submitting required requests to the sponsor for changes. This will also apply to budget changes and changes in scope.
3) On the technological side, EMU has established an email address for the AOR. This email is tied to the ORD Director position, and not to the person in that position. ORD is in the process of updating all relevant databases with the new email address. Thereafter electronic communication between EMU and the Sponsoring Agency will be conducted through an institutional email address.

- If not already in place, link the preparation and timely tiling of performance reports to the Principal Investigator's job evaluations.

- EMU faculty performance is governed by the EMU-AAUP collective bargaining agreement. The contract delineates three components of the performance evaluation: instructional effectiveness, research, and service. Grant preparation, submission, receipt and management of grants and contracts for sponsored activity is part-and-parcel of the faculty evaluation process.

Management subsequently notified us that the University plans to create a new VP/Provost position to oversee the research and grant activities. This individual will be responsible for developing and updating existing procedures to ensure better communication with the institution's deans and department heads, among other things. The University should take our recommendations into consideration as part of this process.

The Associate Provost and Assistant Vice President for Graduate Studies and Research has been created and filled by EMU. In addition, the new Associate Provost and Assistant Vice President for Graduate Studies and Research has secured resources to expand the research infrastructure. A significant portion of this expansion includes support to increase compliance by establishing a Research Compliance Officer position, as well as establishing two Post-Award Managers who will have responsibilities for administrative and financial compliance with the award.

**RECOMMENDATION C**

Although no attempt to deceive or mislead the Agency was identified in this case, we believe management should consider implementing new procedures to ensure the University communicates potential project scope reductions or missed deliverables at the earliest possible date. This will allow the NEH Program Officer to work with the University project staff midstream concerning possible budget/project modifications, and guard against unwanted “surprises” towards the conclusion of a grant award.

In addition to establishing a procedure that will identify when a grant-active person goes on leave, creating two new Post-Award Manager positions, and creating an institutional email tied to the position of ORD Director for official communication with Sponsoring Agencies, the Office of Research Development has drafted the Procedure for Prior Approvals for Sponsored Projects. This procedure outlines the obligations of the Institution for seeking prior Sponsor approvals. It provides the PI with a specific list of items, such as change in key personnel, a reduction in effort of PI or Co-I, change in scope or the objectives of the program, and deviation in the approved budget, and instructs them to contact ORD. ORD will either coordinate the request for approval with the Sponsor if required, or document the institution's decision in cases where it is not. An
example is a deviation in the budget for a research project where expanded authorities have been granted. While ORD would approve the budget change, it would require that PI to provide a rationale, or justification, and certify that the budget revision does not change the original scope of the award.

If you have any questions or need further information regarding our response, please feel free to contact me at [redacted] or via email at [redacted].

Sincerely,

[Signature]

Manager, Sponsored Research Accounting
Eastern Michigan University