



NATIONAL SCIENCE FOUNDATION
Office of Budget, Finance and Award Management
4201 Wilson Boulevard
Arlington, VA 22230

February 1, 2013

Dr. Miguel A. Muñoz, President
University of Puerto Rico
Central Administration
Jardín Botánico Sur
1187 Calle Flamboyán
San Juan, Puerto Rico 00925

Dear Dr. Muñoz:

During our meeting with you and University of Puerto Rico (UPR) representatives at the National Science Foundation on September 19, 2012, you requested that the National Science Foundation (NSF) review the UPR Mayagüez and UPR Central Administration summer salary documentation to ascertain whether UPR has implemented a time and effort system fully compliant with OMB Circular A-21 and OMB Circular A-110. The purpose of this letter is to share the results of our review. Our determination is that the documentation does not sufficiently demonstrate that the UPR has implemented a time and effort system that is fully compliant. Therefore, the suspension of the UPR Mayagüez and UPR Central Administration remains in effect. Attached to this letter is a list of our specific concerns and recommendations.

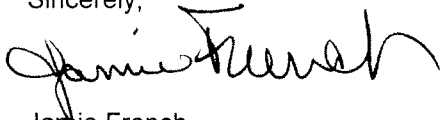
In keeping with our original plan, we will visit UPR to review documentation and processes from the fall semester within the next two months. Because UPR Central Administration and the Mayagüez campuses have been under NSF suspension since April 25, 2012 and have not received new NSF funding since February 3, 2012, we will use other methods to determine time and effort compliance. These methods include reviewing sub award time and effort documentation to NSF awards, and reviewing other non-NSF federal awards. Regardless of the transactions reviewed, it is your responsibility to demonstrate to the NSF that your time and effort system is compliant. Ms. Tamara Bowman is our point of contact for these site visits to UPR, and will be contacting your office within the month to schedule this visit and discuss other visit logistics.

This visit will serve as the final review of UPR's compliance under the existing Corrective Action Plan (CAP). If we determine compliance has not been demonstrated, it may be appropriate for NSF to terminate all federal assistance awards to the UPR Central Administration and the Mayagüez campuses. NSF's expectation is that the time and effort system at these two campuses is part of a UPR enterprise-wide time and effort infrastructure, and that this infrastructure must be fully compliant with OMB Circular A-21 and OMB Circular A-110. Regardless of the site visit determination, NSF will be conducting additional oversight to confirm that UPR complies with time and effort requirements throughout its system.

As stated previously, NSF will not reimburse UPR for costs incurred during the suspension period. Although any awardee under suspension may choose to continue funding work using its own resources, this serves as a reminder that costs incurred during the suspension period will not be reimbursed by NSF. This will remain the case even in the event that UPR comes into compliance with its time and effort reporting system and NSF is able to lift the suspension at some point in the future.

If have any questions about this communication, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jamie French". The signature is fluid and cursive, with the first name "Jamie" written in a larger, more prominent script than the last name "French".

Jamie French
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Dr. Manual Hernandez, Authorized Organizational Representative, UPR Mayaguez

UPR Summer Effort Review

In general, it appears that the methodology for the preparation of the 125As among the campuses is not consistent. Predominantly, the RCSE 125As and 125Bs have late signature dates on the reports and it appears that not all of the campuses may be following the requirements for signature approval of the forms 125A and 125B. It is unclear how labor costs are treated in the accounting system when they are earned, but not yet paid. It also appeared that the salary rates during the summer varied according to the project begin worked on and the approved budget amount. In addition, the data on the University's HRS system needs to improve. Summer payment dates and effort periods should coincide to avoid incorrect labor payments.

Our assessment did note a number of positive improvements:

- At the Mayaguez campus, summer 125As were prepared mostly at the beginning of June and the 125Bs were completed within 60 days after the summer period ended.
- At Central Administration/RCSE, it was noted favorably that the time and effort forms appeared to have more information as to the months/days worked.
- For all campuses, we noted that the Central Administration Information Technology Office identifies staff needing to complete 125Bs and provides the effort reports with all salary paid by project/campus to the home campuses for completion and signature by employees/supervisors. Employees are not allowed to process payments for staff that have not provided a properly completed form 125A. This is a critical internal control so that employees cannot be paid from multiple campuses without the knowledge of other campuses.

Based on our review, we have the following recommendations for improvement and compliance:

- All UPR campuses should be obtaining signed form 125As at the beginning of the period as an estimate of the plan for work to be performed and should account for 100% time. The calculation for percentage of effort could be streamlined for clarification and consistency. We recommend the planned period of performance be added to the forms. If the summer is based on a three month period, but it is only estimated the employee will work two months, the time period of work should be noted on the form (two months) and 100% of that two month period accounted for on the effort form.
- All UPR campuses should obtain signed forms (both 125A and 125B) in a timely manner.
- The appointment type (9 or 12 month) should be noted either on the effort reporting form or in the HRS system and consistently calculated based on either 18 or 24 pay periods. The effort report periods and payroll periods should coincide.
- The HRS system should be able to show the total salary (including all appointments) for a particular time period for the employee on one line item in the system. When another appointment or change is completed, a change can be made in the system to indicate total compensation for the new time period. For example, rather than showing that Employee A is paid \$50,000 for annual salary plus \$10,000 for Dean/Director appointment as two different lines in the HRS system to be added together, only one line would be necessary to show Employee A makes \$60,000 for the time period September 2012 to December 2012. Another line could be added when an appointment or salary is changed to show: Employee A makes \$50,000 from January 2013 to May 2013 as the dean/director appointment has ended.
- There should be clear documentation describing how UPR accounts for and tracks salary earned during the 9 months, but not yet paid over the remaining three months in the accounting system.