



July 29, 2015

Ref: 15-32-29

Dr. Thomas Keegan, President
Skagit Valley College
2405 East College Way
Mount Vernon, WA 98273

Re: FISCAL MONITORING REVIEW LETTER (FY 2012-2013)

Dear Dr. Keegan:

During the week of April 21, 2014, David Bishop, of the State Board for Community and Technical Colleges (SBCTC) staff conducted a review of Skagit Valley College's (SVC) fiscal and related procedures for the Basic Food Employment and Training (BFET), Perkins, and WorkFirst programs, as follows:

Program Title	Contract Number	Contract Period		Amount
BFET	104-BFET-13	10/1/2012	9/30/2013	\$384,263
Perkins	104-PRK-13	7/1/2012	6/30/2013	\$365,863
WorkFirst	104-WFDA-13	7/1/2012	6/30/2013	\$293,678

BFET, Perkins and WorkFirst are federally funded programs and are subject to federal administrative and cost regulations. As the primary recipient of BFET, Perkins and WorkFirst funding, the SBCTC performs subrecipient reviews of organizations to which it distributes federal monies. SBCTC's review of SVC covered internal controls, expenditures and time and effort reports. Unless otherwise noted, no exceptions were found.

Time and Effort Reports and/or Certifications

Faculty and Exempt Staff Certifications

The college uses the Multiple Plan Confirmation method of reporting time and effort for its professorial (faculty) and professional (exempt) employees. Under this method, a separate report (PS1545A) is generated for each budget code to which an employee's time is charged. The college is required to ensure that each employee accounts for 100% of his/her time.

The college's payroll system calculates employee time in "staff months". For full-time exempt employees and full-time faculty base contracts, staff months translate directly to percentages of time worked. For faculty moonlights and part-time faculty, the staff months represent the percentage of a full-time load, rather than a percentage of the contracted

workload. It should be noted that stipends are not included in the staff months calculation; however, federal regulations exclude stipends from time and effort reporting.

For these reasons, determining whether 100% of an employee's time has been accounted for is complex and requires more due care than the two other time and effort methods allowed by federal regulations.

The review noted the following exceptions related to SVC's use of the Multiple Plan Confirmation method.

- Eleven part-time faculty whose salaries and benefits were charged to the grants were not included on certification reports or required to submit T&E.
- Employees did not always account for 100% of their time.
- Classified and hourly employees' names appeared on signed certification reports. For the most part, these employees submitted timesheets as required (see below), but having two separate and slightly different time reports could be a source of confusion for employees and/or their supervisors, and could call into question how much time was actually worked on the grant.

Recommendation

When using the Multiple Plan Confirmation method, the college should assign responsibility for ensuring that 100% of each employees' time is accounted for to an employee who is versed in the staff month calculation. Further, the college should ensure confirmation reports are not created for classified and hourly staff, and are created for part-time faculty members when all or a portion of their salaries and benefits are charged to grants or used as match.

Criteria

OMB Circular A-21 *Principles for Determining Costs Applicable to Grants, Contracts, And Other Agreements with Educational Institutions*, as codified at 2 CFR 220 (emphasis added)

J. General provisions for selected items of cost...

10. Compensation for personal services...

c. Examples of Acceptable Methods for Payroll Distribution:...

(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&A cost activities as prescribed below.

(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&A cost records to reflect

the distribution of that activity to F&A costs. These records may be kept jointly or separately (but are to be certified separately, see below).

(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences occur.

(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).

(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable.

SBCTC *College Time and Effort Reporting Guidelines* (emphasis added)

3. Multiple Plan-Confirmation System

- The Multiple Plan-Confirmation System is virtually identical to the Plan-Confirmation System
- Rather than maintain one certification for each professorial or professional employee, a separate confirmation is maintained for each grant project, activity or cost center
- Institution must still account for 100% of the time or effort for which each professorial or professional employee is compensated

Classified Staff and Hourly Time and Effort Reports

The college used after-the fact activity reports for classified and hourly employees.

- Two employees who were paid 100% on grants (Perkins, WorkFirst) did not complete time and effort reports.

Recommendation

SVC should establish controls to ensure all classified and hourly employees whose salaries, wages and/or benefits are charged directly to a federal grant or used for match complete a time and effort report. The guidance previously provided to the community and technical colleges suggested if an employee is charged to a single grant, a time and effort document is not required. However, based upon a recent audit of a community college by the State Auditor's Office, every employee charged to any federal grant must maintain time and effort reports.

Criteria

OMB Circular A-21 *Principles for Determining Costs Applicable to Grants, Contracts, And Other Agreements with Educational Institutions*, as codified at 2 CFR 220 (emphasis added)

J. General provisions for selected items of cost...

10. Compensation for personal services.

a. General.

... These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported as provided below...

b. Payroll distribution.

(2) Criteria for Acceptable Methods....

(b) The method must 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...

(d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection J.10.b.(2). Examples of acceptable methods are contained in subsection c...

c. Examples of Acceptable Methods for Payroll Distribution:...

(2) After-the-fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

(b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records...

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

(f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections (a) through (e).

Grant Adjustments

The purpose of maintaining time and effort reports is to compare the budgeted salary and benefit costs charged to the grant with the actual hours worked by the employee, so adjustments can be made to the grant when necessary.

- Three employees had variances in excess of 5%, but the amounts charged to the grant and billed to the SBCTC were not adjusted. One of the three was unaware that 34% of her salary was being charged to Perkins Special Populations and was not instructed which of her tasks were expected to benefit the grant. Her supervisor signed her *Employee Monthly Time and Effort Sheet*, despite the fact no hours were reported for Perkins Special Populations.
- The college did not perform an analysis of the variances between budgeted time charged to the grant and actual time shown on the time and effort report until shortly before our site visit, which was more than nine months after the end of the grant period.
- For employees whose certification reports were missing, the college was unable to monitor whether actual time worked varied significantly from the budget amounts which were charged to the grant.
- When analyzing classified staff time, the college averaged percentages across twelve months, rather than adding up the year-to date hours and computing a single, annual percentage. Since months have different numbers of working days and employee's leave is appropriately excluded from the calculation, the two methods can yield different results.

Recommendation

The college should establish controls to monitor variances between budgeted salaries and actual time and effort. When variances exceed five percent, the amounts charged to the grant should be adjusted in a timely manner.

Criteria

OMB Circular A-21 *Principles for Determining Costs Applicable to Grants, Contracts, And Other Agreements with Educational Institutions*, as codified at 2 CFR 220 (emphasis added)

J. General provisions for selected items of cost...

10. Compensation for personal services...

b. Payroll distribution...

(2) Criteria for Acceptable Methods...

(e) Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified

and entered into the payroll distribution system. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period...

SBCTC *College Time and Effort Reporting Guidelines*

1. After-the-Fact Activity Report System...

E. Year-End Reconciling

- If initial payroll costs are recorded in the accounting system based on estimates, they must be reconciled prior to the end of the grant period or fiscal year, whichever comes first.
- If the variance between budget and actual is greater than 5% of the actual, accounting records must be adjusted to reflect actual.

2. Plan-Confirmation System...

B. Recording Activity

- Activities must be expressed as percentages of total compensated activity
- Percentages must reflect reasonable estimates of time or effort provided
- Must be adjusted to actual at the end of each academic quarter if variance is greater than 5%
- Must account for 100% of employee's time for which they are compensated

BFET Coding

The college co-mingled 100% funds and 50/50 funds expenditures in the same account within FMS (145-161-3210). However, the review noted no exceptions regarding amounts billed to the SBCTC within each category.

Recommendation

The college should maintain its 100% and 50/50 BFET funds in separate accounts.

Criteria

SBCTC BFET *Fiscal Guidelines and Grant Terms* (emphasis added)

Expenditure Accounting

All expenditures claimed for reimbursement must be documented in your fiscal records.

Funds for the 100% Funding activity must be kept in an account separate from all other funding sources and be accounted for as grant and contract (fund 145). Since funds originate from another state agency, SBCTC grant reimbursement must be coded to object S.

BFET Coding

The review also noted the following housekeeping item related to BFET coding.


- The college used program code 100 in its chart of accounts and in coding its invoices. The community and technical college system-level updates to program codes clarified that detailed program codes within the 100 series are to be used instead, depending on the activity.

Corrective Action

We request the college provide a Corrective Action Plan with a brief description of how each recommendation was addressed. Subsequently, a final report will be issued notifying the college that all recommendations have been satisfactorily addressed, and the Fiscal Monitoring Review is complete.

We appreciate the assistance and courtesy provided during the review. Should you have any questions pertaining to the review, please feel free to contact David Bishop at (360) 704-4389 or dbishop@sbctc.edu.

Sincerely,



John Ginther
Director of Accounting and Business Services

cc: Mary Alice Grobins, Vice President of Administrative Services, SVC
Denise Graham, Deputy Executive Director – Finance, SBCTC
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Lynnette Bennett, Associate Dean of Workforce, SVC
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Jon Kerr, Director, Basic Education for Adults, SBCTC
Nancy Dick, Director, Workforce Education, SBCTC
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