



NATIONAL SCIENCE FOUNDATION

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Division of Institution and Award Support (DIAS)
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May 24, 2010

Dr. Héctor Santiago Anandón
Acting Vice President of Research and Technology
University of Puerto Rico
Central Administration
Jardín Botánico Sur
1187 Calle Flamboyán
San Juan, Puerto Rico 00925

Dear Dr. Santiago Anandón:

We appreciate the time, effort, and hospitality your staff expended during our site visit to the University of Puerto Rico Central Administration and Mayagüez campuses on February 1-12, 2010. The purpose of this letter is to transmit our recommendations resulting from our site visit and subsequent analysis by NSF staff.

During the exit conferences held at the Central Administration Office and the UPRM - Research and Development Center, we discussed several areas of concern that require a corrective action plan from the UPR System. We further briefly identified other concerns that needed consultation with additional NSF personnel. The enclosures to this letter contain the recommendations from both the on-site review and subsequent analysis by NSF staff involved with the monitoring activity conducted at your organization.

Your organization should provide a response to us within 30 days from the date of this letter on the status of actions you have or plan to take regarding our recommendations. We request that detailed steps and implementation dates be provided in a corrective action plan. Once NSF receives and evaluates your responses, we will coordinate with the U.S. Department of Health and Human Services on the acceptance of your corrective measures.

The corrective action plan can be delivered by mail or e-mail to:

National Science Foundation
Division of Institution & Award Support
Room 485
4201 Wilson Blvd
Arlington, VA 22230

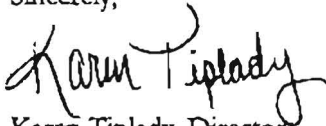
BEADIASStaffMonitoring@nsf.gov

Please do not hesitate to contact either of us if you have any questions or concerns: Karen Tiplady at 703 292-8210 (ktoplady@nsf.gov); Mary Santonastasso at 703 292-8230 (msantona@nsf.gov).

For specific questions regarding the recommendations, please contact Taina Muñoz-Mulero at 703-292-5013. All other questions or award-related administrative concerns should be directed to Laura Buckley at 703-292-4817.

Again, we would like to extend a special thanks to you and all the staff members who met with our staff, Taina Muñoz-Mulero, Laura Buckley, and Rafael Cotto over the course of the site visit.

Sincerely,



Karen Tiplady, Director
Division of Grants and Agreements



Mary Santonastasso, Director
Division of Institution & Award Support

Enclosures:

- 1: FY2010 Site Visit Recommendations, University of Puerto Rico – Central Administration Office & Resource Center for Science and Engineering
- 2: FY2010 Site Visit Recommendations, University of Puerto Rico – Mayagüez Campus

cc:

University of Puerto Rico

Dr. Jorge Rivera Santos, Acting Chancellor, Mayagüez Campus
María Vargas, RCSE Assistant Director
Manuel Gómez, RCSE Director
Jose Colucci Ríos, Acting Director of Research and Development Center
Madeline Méndez, Special Assistant Research and Development Center

National Science Foundation

Leon Esterowitz, Program Manager, ENG/CBET
Rita V. Rodriguez, Program Manager, CISE/CNS
Uma D. Venkateswaran, Program Director, OIA / EPSCoR
Wayne Thomas, Deputy Director, BFA/DGA
Alex Wynnyk, Branch Chief, BFA/DIAS/CAAR
J. Christopher Robey, Branch Chief, BFA/DGA
Kathleen C. Baukin, Branch Chief, BFA/DGA
Robert Joyce, Branch Chief, BFA/DGA
Taina Muñoz-Mulero, Contract and Grant Cost Analyst, BFA/DIAS/CAAR
Laura Buckley, Grant and Agreement Specialist, BFA/DGA
Rafael Cotto, Financial Manager, BFA/DFM
Monitoring Chron File, BFA/DIAS/CAAR

Enclosure 1
FY2010 Site Visit Recommendations
University of Puerto Rico – Central Administration Office &
Resource Center for Science and Engineering

General Management:

1. We recommend the UPR-Central Administration Office develop formal overarching policies and procedures in both Spanish and English for the areas directly affecting the general management of federal awards as it relates to the proposal approval and submission process, re-budgeting, budget and expenditure monitoring, cost transfers, and award-related goods and services expenditure approval. The policies and procedures must be in compliance with OMB Circulars A-110, A-21, and A-133. Further, the documented policies and procedures should serve at least as minimal requirements to be followed by the UPR System units.
2. We recommend the UPR-Central Administration Office and the RCSE jointly develop policies and procedures in both Spanish and English establishing the criteria to be followed for the selection of programs and awards that can be managed by the RCSE. These policies and procedures should clearly define when a program/award will be managed by UPR-Central Administration, the RCSE, or another UPR system campus.
3. We recommend the UPR-Central Administration Office and the RCSE develop a Memorandum of Understanding or other type agreement for the services that will be provided for UPR-Central Administration and the other UPR campuses.
4. We recommend the UPR-Central Administration Office establish policies and procedures to document the personnel authorized to submit, accept, and negotiate awards on behalf of the UPR-Central Administration Office, RCSE for Science and Engineering. The policies should be available in both Spanish and English.
5. We recommend the UPR-Central Administration Office review the roles and responsibilities of the RCSE personnel to prevent any principal investigator from having the ability to make administrative decisions for the RCSE, and maintain appropriate segregation of duties.
6. We recommend the RCSE document its self-governing policies and procedures for the approval of proposal budgets, expenditure/budget monitoring, re-budgeting, cost transfers and expenditure approval for award-related goods and services. The policies should be available in both Spanish and English.

Accounting System and Financial Review:

7. We recommend the UPR-Central Administration Office develop a method/tool to allow employees easy access to the most current procedures associated with the administration of federal awards. In addition, we strongly recommend the policies and procedures are located on a website or intranet to allow access for all employees.
8. We recommend the UPR-Central Administration Office develop, formalize, and disseminate policies and procedures in both Spanish and English for the proper accounting treatment of unallowable costs in compliance with 2 CFR 21 (b)(6) and OMB Circular A-21, Section C.12.
9. We recommend the RCSE develop policies and procedures in both Spanish and English for the accounting and financial functions performed by the Center employees. The procedures should

provide sufficient detail to allow a new employee the ability to understand and follow established practices.

Federal Financial Report Reconciliation:

10. We recommend the UPR – Central Administration Office develops, formalize, and disseminate overarching policies and procedures in both Spanish and English for the preparation, reconciliation, and approval of the FFRs before submission to federal agencies.
11. We recommend the UPR-Central Administration Office contact the cognizant agency to obtain clarification and written authorization to allow the RCSE to use the UPR-Rio Piedras' negotiated indirect cost rate when submitting claims for reimbursements to the Federal Government. Please provide the clarifying information to National Science Foundation once obtained. Finally, Central Administration should re-examine the billed indirect costs for compliance with the negotiated rate agreement and make the necessary adjustments.
12. We recommend the RCSE finish and formalize draft procedures for the preparation and reconciliation of the FFR. The procedures should require an explanation for any discrepancy between accounting records and reported amounts. In addition, the procedures should specify the documentation to be maintained as support for the reconciliation process. The policies should be available in both Spanish and English.

Time and Effort Reporting:

13. We recommend the UPR – Central Administration Office enhance time and effort procedures documented in UPR Circular 86-11, dated February 20, 1986: to correct the OMB Circular A-21 reference included in the procedures to J.10 and to add language explaining how labor distribution estimates are initially established in the accounting/time and effort system. In addition, the time and effort reports must be incorporated into the official records of the institution, reasonably reflect the activity for which the employee is compensated, and encompass both sponsored and all other activities on an integrated basis. Further, labor costs should be allocated in accordance with OMB Circular A-21 C.4 (d)(3). The policies should be available in both Spanish and English.
14. We recommend the UPR – Central Administration Office enforce the time and effort reporting requirements established in UPR Circular 86-11, dated February 20, 1986, for all the UPR University System units.
15. We further recommend the RCSE establish adequate time and effort procedures for additional compensation payments being made to faculty members in accordance with OMB Circular A-21 J.10 and NSF Award and Administration Guide (AAG) Chapter V.B.1, "Salaries and Wages". The policies should be available in both Spanish and English.

Participant Support Cost:

16. We recommend the UPR – Central Administration Office develop, formalize and disseminate overarching policies and procedures for the treatment of participant support costs, in accordance with NSF AAG Chapter V.8 as well as the terms and conditions of the award. The procedures should provide guidance on the areas of accounting treatment, calculation of indirect costs, billing, and re-budgeting. Further, the procedures should define the criteria being followed to identify students and fellows as participants as opposed to RCSE employees. The policies should be available in both Spanish and English.

17. We recommend the RCSE develop detailed procedures for the accounting treatment of participant support costs to include account and/or job coding identification, billing and calculation of indirect costs in accordance with NSF AAG Chapter V.11 requirements. The policies should be available in both Spanish and English.
18. We recommend the RCSE bill costs to NSF under the proper cost category, and to review all NSF's billings for the indirect costs and make an adjustment for the incorrect classification of participant support costs. The computation and analysis for this adjustment must be provided for NSF's review.
19. We recommend the RCSE review the documentation for the purchase of laptop computers given to the students and either correct the grant account to remove these costs to NSF and make an adjusting entry on the next FFR report or repurchase these laptops using University funding for use by participants benefiting the Puerto Rico EPSCoR program. If computers will be re-purchased, the RCSE cannot charge the associated expenses to federal awards and an FFR adjustment will not be necessary. Documentation of this correction should be maintained in University records. As a result of the purchase of computer laptops, we further recommend the RCSE contact the NSF's EPSCoR Program Officer to make the necessary adjustments to the approved participant support cost budget. The computers purchased meet the capitalization criteria of the UPR University System and; therefore, should be included in the equipment and not the participant support cost category of the approved budget.

Property and Equipment:

20. We recommend the UPR-Central Administration Office update its written operating policies and procedures in compliance with 2 CFR 215.30. In addition, we recommend the UPR-Central Administration Office develop clear written procedures to explain the reconciliation of property and the financial records, including the recordation process, in accordance with 2 CFR 215.34 f(1) (vii)(3). The policies should be available in both Spanish and English.
21. We recommend that the UPR-Central Administration and the RCSE develop and/ or provide official accounting records identifying equipment purchased with federal funds.
22. We recommend the RCSE document its procedures for property and equipment control, maintenance of records, and identification of equipment. The policies should be available in both Spanish and English.
23. We recommend the RCSE promptly formalize agreements with campuses or external organizations in which the equipment purchased with federal funds received through the NSF award OIA-0701525 is located. When developing a memorandum of understanding, the RCSE must comply with NSF's property title and 2 CFR 215.31 requirements. In addition, agreements should specify maintenance costs, usage, and fee for usage, if applicable. When fee is charged, the RCSE must follow the requirements set forth in 2 CFR 215.2, 2 CFR 215.22, and 2 CFR 215.24. The policies should be available in both Spanish and English.
24. We recommend that RCSE properly tag equipment owned by the Federal Government to indicate Federal ownership in accordance with 2 CFR 215.34 f (2) and UPR System established procedures.

Enclosure 2
FY2010 Site Visit Recommendations
University of Puerto Rico – Mayagüez Campus

General Management:

1. Although the Research and Development Center was able to articulate practices and provide forms and examples, there were no formalized policies and procedures for budget monitoring, budget revision, cost transfers, and for the approval of award-related expenditures. In addition, described cost transfer practices did not appear to establish a timeframe to process the transfers. As a result, we recommend the Center document and disseminate policies and procedures in both Spanish and English for the areas of budget monitoring, budget revision, and cost transfers. The cost transfer procedures should include requirements to ensure timely identification and processing of costs.

Accounting System and Financial Review:

2. We recommend the Center develop, formalize, and disseminate policies and procedures in both Spanish and English for the proper accounting treatment of unallowable costs. Policies and procedures for the treatment of unallowable costs should be in compliance with 2 CFR 21 (b) (6) and OMB Circular A-21, Section C.12.
3. We recommend the Center develop an internal method (index, accounting manual, etc.) to facilitate the identification of the most current, applicable policies and procedures for federal award management.

FFR Reconciliation:

4. We recommend the Center develop and document detailed procedures for preparing, reconciling, and submitting the FFR. The procedures should cover activities for reconciliation, review and approval, and cash drawdown. Ensure that complete documentation is maintained in the office files for future reference. In addition, please prepare and submit the accounting records and reconciliation completed for the FFR submitted for quarter ending 3/31/2010. The policies should be available in both Spanish and English.

Time and Effort Reporting:

5. We recommend the Center promptly develop, document, and disseminate new procedures for the preparation of time and effort reports in compliance with requirements contained in OMB Circular A-21. The UPRM time and effort system should take into consideration all payments received by faculty or researchers from all the units of the UPR System, to include the Resource Center for Science and Engineering. In addition, the Center should establish, document, and disseminate consistent processes and criteria for the approval of additional compensation payments in compliance with OMB Circular A-21, Section J.10 and the NSF Award and Administration Guide (AAG) Chapter V.B.1. Procedures should specify maximum hours a researcher can be compensated in a week during the academic year and the summer months, in addition to the regular base salary. In addition, documented procedures should specify if researchers can work additional time during holidays or weekends. The policies should be available in both Spanish and English.

ARRA Funding:

6. We recommend the Center develop, formalize, and disseminate policies and procedures for the reporting requirements of Federal grants funded through ARRA according to the American

Recovery and Reinvestment Act of 2009. The policies should be available in both Spanish and English.

Cost Sharing:

7. We recommend the Center document policies and procedures for current practices followed for the identification of cost share funds and accounting treatment of these funds in compliance with 2 CFR 215.23 and NSF AAG Chapter II.D. The policies should be available in both Spanish and English.

Subawards and Subrecipient Monitoring:

8. We recommend the Center develop and document formal policies and procedures for pre- and post-award subrecipient monitoring. In addition, the Center should enhance current subrecipient monitoring practices to include the analysis of budgets before submitting proposals to NSF, a review of the Excluded parties listing for sub-recipient that may be de-barred from receiving federal awards, review of A-133 audit reports for identification of concern areas and questioned costs, and implementation of procedures to detect high risk subawardees requiring further monitoring (site visits, audit, etc.) in accordance with OMB Circular A-133. The policies should be available in both Spanish and English.