

Lincoln University of the Commonwealth of Pennsylvania CORRECTIVE ACTION PLAN (CAP) AND RESPONSE

- 1. Concern:** Although Lincoln University (LU) provided a policy and associated procedures for cost transfers, procedures have not been fully documented. Specifically, procedures related to who initiates and approves cost transfers are not documented. In addition, although LU has established a written 90-day deadline for processing cost transfers, it acknowledges that it has no established procedures for enforcing that deadline.

Action Taken: We have drafted procedures for cost transfers. The purpose of this policy is to set forth the circumstances for transferring charges to or from a sponsored award. The policy addresses parties responsible for initiating and approving cost transfers.

When: The new policy was drafted in December, 2017. It is anticipated that the new policy will be made actionable and official once the Administration and the Board of Trustees have accepted and ratified the policy and procedures manual. Again, we anticipate this happening within the 2018 calendar year. Until that time, Lincoln University will continue to adhere to the Federal Office of Management and Budget Uniform Guidance (2 CFR 200) and other applicable Federal and agency specific rules, regulations, and guidance.

Supporting Documentation: The draft policy can be submitted upon request, however, please note that the policy is a draft and still must be approved by the Administration (President, Provost, and VP for Fiscal Affairs) and the Board of Trustees.

- 2. Concern:** Instead of a consolidated accounting manual (not an issue), LU maintains several separate policies and procedures for accounting related processes. We reviewed policies and procedures related to accounts payable, payroll, accounts receivable, and grants revenue recognition. The accounts payable policy and related procedures appeared well prepared. Other documents seemed to be a mixture of how to use a software system, worksheet, or were too short to provide effective guidance to employees responsible for those functions. Many of these documents lacked common components typically found in formal policies and procedures, e.g., issue date, overarching policy description, timeframes or schedules for completing tasks, positions responsible for completing those procedures, or practical step-by-step procedures. In addition, we

were unable to verify the existence of other common accounting procedures such as bank account reconciliations, year-end closing, and fixed assets.

Action Taken: We are currently assessing our accounting policies. Lincoln University adheres to the Federal Office of Management and Budget Uniform Guidance (2 CFR 200) and other applicable government regulations as well as sponsor terms and conditions in monitoring budgets and expenditures on sponsored programs.

When: We anticipate these policies and procedures and accounting manual to be drafted and approved within the 2018 calendar year.

Supporting Documentation: To be provided upon completion.

3. **Concern:** LU's written policies and procedures related to the accounting treatment of unallowable costs are not fully documented; they were drafted for this review and had not been formally approved. The lack of documented guidance may lead to inconsistent accounting treatment of project-related costs and could potentially result in allowable costs being charged to NSF- Funded projects.

Action Taken: We have drafted policies to address the treatment of unallowable costs. The purpose of this policy is to establish guidelines for defining and identifying costs that are unallowable for reimbursement from the Federal government and other external sponsors. Lincoln University adheres to the Federal Office of Management and Budget Uniform Guidance (2 CFR 200) and other applicable government regulations as well as sponsor terms and conditions in accounting for unallowable cost.

When: The new policy was drafted in December, 2017. It is anticipated that the new policy will be made actionable and official once the Administration and the Board of Trustees have accepted and ratified the policy and procedures manual. Again, we anticipate this happening within the 2018 calendar year.

Supporting Documentation: Draft policies can be submitted upon request, however, please note that these policies are being drafted and still must be approved by the Administration (President, Provost, and VP for Fiscal Affairs) and the Board of Trustees.

4. **Concern:** Although LU articulated good practices for budget and expenditure monitoring, LU has not prepared policies and procedures in writing to support those practices.

Action Taken: We are currently drafting policies to address budget and expenditure monitoring. Lincoln University adheres to the Federal Office of Management and Budget Uniform Guidance (2 CFR 200) and other applicable government regulations as well as sponsor terms and conditions in monitoring budgets and expenditures on sponsored programs.

When: We anticipate these policies and procedures to be drafted and approved within the 2018 calendar year.

Supporting Documentation: To be provided upon completion.

5. **Concern:** LU has established guidelines and standards to assist employees responsible for administering NSF-funded awards in determining the reasonableness, allocability, and allowability of costs charged to federally-funded awards, however, it does not maintain a list of common unallowable costs. Instead, LU refers employees to the Office of Management and Budget (OMB) Circular A-21, a practice that may not provide sufficient guidance to ensure that unallowable costs are identified. In addition, OMB Circular A-21 has been superseded by 2 CFR 200, the Uniform Guidance. Relying on outdated regulations may result in inconsistent or inaccurate recording of unallowable costs and could result in unallowable charges being charged to NSF-funded projects.

Action Taken: Lincoln University maintains a list of common unallowable costs. The University has drafted policies to provide sufficient guidance to ensure that unallowable costs are identified. The purpose of these policies are to provide guidance to PI's, colleges, departments, units and personnel of the University for proposing and administering direct costs on sponsored projects, in accordance with Federal or other sponsor requirements.

When: The new policies were drafted in December, 2017 and January, 2018. It is anticipated that these new policies will be made actionable and official once the Administration and the Board of Trustees have accepted and ratified the policy and procedures manual. We anticipate the adoption of this policy within the current calendar year.

Supporting Documentation: Draft policies can be submitted upon request, however please note that these policies are being drafted and are not actionable until approved by the Administration (President, Provost, and VP for Fiscal Affairs) and the Board of Trustees.

6. **Concern:** LU's record retention schedule requires that grant-related documentation be maintained for five years after the end of the grant or in compliance with sponsor requirements. This standard differs from federal regulations which require that award-related documents be retained for three years after the submission of the final expenditure report. Although unlikely, this practice may result in premature disposal of documents for projects for which the expenditure reports are not timely submitted.

Action Taken: Lincoln University has drafted a records retention policy. The policy reinforces the requirement all grant-related records and supporting documentation for Federal awards are retained in accordance with the Federal Office of Budget and Management Uniform Guidance (OMB Uniform Guidance) unless a longer duration is required by the sponsor. Federal regulations require that award related documents be retained for three (3) years after the submission of the final financial/expenditure report.

When: The new policy was drafted in December, 2017. It is anticipated that the new policy will be made actionable and official once the Administration and the Board of Trustees have accepted and ratified the policy and procedures manual. We anticipate the adoption of this policy within the current calendar year.

Supporting Documentation: Draft policies can be submitted upon request, however please note that these policies are being drafted and still must be approved by the Administration (President, Provost, and VP for Fiscal Affairs) and the Board of Trustees.

7. **Concern:** LU has prepared written guidance for calculating and completing ACM\$ drawdowns. However, that guidance does not include information on the individuals responsible for preparing, approving, or processing those drawdowns.

Action Taken: It is anticipated that the University will modify and update its policies and procedures as related to ACM\$ within the current calendar year. Lincoln University adheres to the Federal Office of Management and Budget Uniform Guidance and other applicable government regulations as well as sponsor terms and conditions as it pertains to cash drawdowns. The University currently has the following ACM\$ policies and procedures in place:

Cash Management

CONTROL ENVIRONMENT

Staff and management in charge of program oversight are aware of the applicable federal requirements. The respective Grant PI's, the Director of ORSP, the Sr. Grants Accountant, and the VP of Fiscal Affairs have been working with federal grants for years. Reimbursements are requested only for costs that have been incurred. The Sr. Grants Accountant prepares an analysis of cash on hand and the VP of Fiscal Affairs approves the request before the Sr. Grants Accountant performs the on-line draw down creating a segregation of duties.

RISK ASSESSMENT

Management has identified the timing of drawdowns of grant funds as a risk. However, it is mitigated due to the University utilizing the reimbursement method.

CONTROL ACTIVITIES

Expenditures are initially paid with University funds. The Sr. Grants Accountant will compile and summarize expenditures for the period from the general ledger. From this analysis, the Sr. Grants Accountant submits the request to drawdown funds to reimburse the University for expenditures for the period. Upon approval, the draw is conducted from the ACM\$ system, which is maintained and operated by NSF and is password and username protected. Cash is received in the University's bank account, which is controlled and monitored by the Controller's office.

INFORMATION AND COMMUNICATION

The Sr. Grants Accountant submits to the Director of ORSP and the Grant PI the date and the amount of the draw as part of the review control process. The Director of ORSP is knowledgeable and kept informed regarding the requirements through updates and reading the agreements.

MONITORING

All cash draw requests are approved by the VP of Fiscal Affairs. Management and staff are knowledgeable and kept informed regarding the requirements through updates and reading the agreements.

When: The new policy was drafted in calendar year 2108. It is anticipated that the new policy will be made actionable and official once the Administration and the Board of Trustees have accepted and ratified the policy and procedures manual. Again, we anticipate this happening within the 2018 calendar year.

Supporting Documentation: To be provided upon completion.