




UNIVERSITY OF HAWAII

DEAN O. SMITH
SENIOR VICE PRESIDENT, UNIVERSITY OF HAWAII AND
EXECUTIVE VICE CHANCELLOR, UNIVERSITY OF HAWAII AT MAŌO

June 23, 2000

MEMORANDUM

TO: Chancellors, Vice Presidents,
Deans and Directors

FROM: Dean O. Smith 
UH Senior Vice President and
UH Manoa Executive Vice Chancellor

**SUBJECT: REVISED POLICY DIRECTIVE ON TERMINATION OF EXTRAMURALLY
FUNDED EMPLOYEES ON PROJECT TERMINATION DATE**

This memo supercodes my memo of June 9, 2000 and is intended to correct an oversight in the "Impact Section" regarding when an employee will be taken off the payroll. The termination policy is amended to read:

Effective immediately, it is the University's intent to comply with federal regulations and University policies which prohibit charging of expenses to extramurally funded projects after the termination date of the project. This applies particularly to payroll charges that are incurred after the project termination date.

Historical Background

In 1991, the Defense Contract Audit Agency cited the University for routinely incurring deficits on federal project accounts and then inappropriately transferring these deficits to other project accounts. Consequently, the University took steps to "freeze" an extramurally funded account as of the award termination date as the corrective action measure for this audit citation.

The Continuing Problem

Despite the corrective action which was taken in 1991, University programs have continued to charge payroll expenses incurred after the project termination date to "frozen" accounts. These expenses, which are unallowable and unallocable to the frozen account, are

Chancellors, Vice Presidents, Deans and Directors
Page 2
June 23, 2000

automatically defaulted to a temporary (invalid) payroll account and must subsequently be "cleared" by a journal voucher entry (JV).

The Magnitude of the JV Problem

Prior to 1998, ORS processed about 12,000 JVs annually for extramural awards, and more than half of these were for invalid payroll transactions. In 1998, the RCUH implemented its policy of terminating employees on the project termination date, and this practically eliminated invalid payroll JVs for service ordered projects. It resulted in a significant reduction of JVs in the University system. In 1999 ORS processed 9,625 JVs of which 2,934 were for invalid payroll transactions.

In addition to being a non-compliant abuse of internal control and financial management systems, this practice of charging-after-the-fact payroll and the resultant JV has created considerable unnecessary work that requires the commitment of resources that could be better used to meet other priority concerns of the University.

REQUIRED ACTIONS

Principal Investigators and Fiscal Officers must observe the 90, 60 and 30-day advance notices of project termination that are posted on the Account Status Report (CGMR Report 090) and take necessary and timely action (no cost extensions, advance accounts, etc.) to assure that payroll after a project termination date is not charged to a project that has been inactivated because of its termination date.

Impact

If no action is taken to properly continue an employee before the applicable payroll termination deadline for the payroll period immediately after the project termination date, the employee will be taken off the payroll. The payroll termination deadlines are specified in the "YEAR 2xxx PAYROLL SCHEDULE" that is issued by the UH Disbursing Office.

I thank you in advance for your cooperation, which is essential and appreciated.

c: President and Chancellor Mortimer
Board Secretary Iha
Senior Advisor Masumoto
Senior Vice President Imai
Senior Vice President Teramura