

March 18, 1992  
ILR 92-D

Speaker H. Craig Moody, Chairman  
Members of the Legislative Audit Subcommittee  
318 State Capitol Building  
Salt Lake City, Utah 84114

**Subject: USU Faculty Compensation at SDL**

Dear Legislators:

We were asked to review the method by which faculty members at Utah State University (USU) are compensated for work performed at Space Dynamics Laboratory (SDL). A number of USU faculty and staff are also under contract with SDL. SDL is a wholly owned subsidiary of Utah State University operating under the scope of the University Foundation. (Since most of the faculty members under contract with the University Foundation work at SDL, this report makes no distinction between SDL employees and Foundation employees.) During fiscal year 1990, SDL employed 30 USU faculty members. SDL is engaged in the field of space technology and engineering research. SDL's funding comes primarily from contracts with federal agencies such as The Department of Defense, NASA, and others.

Specifically, we were asked to determine how USU faculty members account for time worked at SDL, whether work performed at SDL occurs during university time, and if conflicts of interest occur. During our review, we examined the records of approximately one third of the faculty members under contract with SDL during fiscal year 1990. We compared their records with the university's policy pertaining to compensation levels, time keeping procedures, and leave accounting. Overall, we found no major discrepancies between the university's policies and practices at SDL. However, we have noted some areas where we feel improvements can be made.

Our review has not consisted of a full audit of SDL nor any USU faculty member employed at SDL. Instead, we have concentrated on the university's policies governing employee compensation and whether or not faculty members employed at SDL adhere to these policies. The balance of this report shows the results of our work in this area.

**Compensation Policy.** Figure I shows the salaries earned by the faculty members we reviewed that were under contract with the university and SDL during fiscal year 1990. University policy pertaining to compensation indicates that the rate paid to faculty members working at SDL should be no higher than the rate paid under their employment contract with the university. Our review found this policy is adhered to. We compared the hourly rate paid at

SDL to the hourly rate paid by each faculty member's contract and found no significant difference.

Figure I

**Time-keeping procedures.** According to university policy, there appears to be four time classifications under which faculty members perform work at SDL: (1) non-class time, (2) consulting time, (3) vacation time, and (4) non-contract time. Most faculty members we reviewed use one or a combination of these time classifications to report hours worked at SDL. An explanation of each time classification follows.

1. **Non-Class Time:** According to school officials, faculty members are obligated to be in the class room during class time. Time before class, between class, after class, weekends, and holidays is left to each faculty member's discretion. Faculty members are free to work at SDL during non-class time. During our review, we found that most hours reported under this time classification occurred either in the morning hours before classes, in the evenings after classes, or on weekends.
2. **Consulting Time:** University policy allows faculty members up to three paid days per month for outside consulting. Typically, faculty members at other universities use these days to consult with private business enterprises. However, USU's administration has approved faculty's use of consulting days to work at SDL. Under university policy, faculty members are required to submit leave slips to the Dean's office when consulting days are used. The use of consulting days are to be approved by each faculty member's department head. The university does not allow unused consulting days to be carried over from one year to the next. Nearly half of the faculty members we reviewed use consulting days

to work at SDL.

3. **Vacation Time:** University policy allows faculty members to use vacation time to work at SDL. Full-time faculty members accrue 22 days of vacation per year. Under university policy, faculty members are required to submit leave slips when vacation days are used. Leave slips are submitted to the faculty member's department head who, in turn, submits the leave slip to the personnel department. Faculty members can carry half of their unused vacation days, up to 30 days maximum, over to the next year.
4. **Non-Contract Time:** Certain full-time faculty members are only under contract with the university to teach for nine months. They are, however, considered full-time employees and receive the same benefit package (insurance, vacation days, etc) as faculty members with twelve-month contracts. Faculty members "A" and "E" are examples of full-time faculty members with nine-month contracts. Part-time faculty members are only under contract with the university for specific quarters. They are not considered full-time employees and do not receive a benefit package. Full-time faculty members with nine-month contracts and part-time faculty members are allowed to work at SDL during the months when they are not under contract with the university.

Lastly, university policy requires faculty members to keep time cards documenting the number of hours they work at SDL. We found completed time cards for each faculty member that we reviewed for each month they worked at SDL during fiscal year 1990. Figure II shows the total number of hours reported under each time classification. The category labeled "Unknown" is explained in the paragraph following Figure II and is for hours reported on time cards that lack sufficient detail to determine the time classification under which the hours occurred.

Figure II

During our review, we noted that some time cards lacked sufficient detail to determine when the hours worked at SDL occurred. Some faculty members reported only the total number of hours worked per day on their time card---not the time of day when the hours were worked. As a result, there is no way to determine whether the hours in question were worked during university class time or one of the approved time classifications above. In our opinion, this practice could lead to abuses in the time-keeping system. We recommend that the university require all faculty members working at SDL to specify on their time cards the exact time of day when hours are worked.

We attempted to determine whether the university's policies pertaining to compensation and time-keeping procedures conformed to federal standards. Unfortunately, after contacting the federal agencies that administer SDL contracts, we learned their audits do not specifically address compensation levels or time-reporting procedures. Therefore, we were unable to determine whether the university's policies in this area conform to federal standards.

We also contacted the State Board of Regents regarding salary levels and the university's policies. Officials from the Board of Regents stated that salary levels do not appear to be excessive and USU's policies seem to be in harmony with the board's policies.

**Personnel Department Records Do Not Correlate With Information On SDL Time Cards.** In order to determine whether consulting and vacation days were being accounted for properly, we contacted the university's personnel department to compare their records with the information reported on SDL time cards. Overall, we found poor correlation between the personnel department's records and the information reported on SDL time cards. Personnel did not have accurate leave records (vacation and consulting) for several of the faculty members we reviewed. For example, faculty member "A" reported 176 hours of vacation taken from the university to work at SDL during fiscal year 1990. However, personnel's records only indicated eight hours of vacation taken by faculty member "A" during this time period.

Figure III shows the differences we found between consulting and vacation hours reported on SDL time cards and those reported to the personnel department. Negative differences, shown in parenthesis, represent areas of concern. Negative differences result from more consulting and vacation hours being reported on SDL time cards than are reported to the personnel department. Positive differences do not represent areas of concern. Positive differences result from more consulting and vacation hours being reported to the personnel department than are shown on SDL time cards. This is to be expected, since faculty members can use consulting and vacation hours for other purposes than working at SDL.

Figure III

A representative from the personnel department explained that it is up to individual departments to collect faculty leave slips and submit them to the personnel department. However, they also explained that not all departments submit their leave slips. In order to clarify this issue, we spoke to some of the department heads who explained that a number of faculty members do not turn in leave slips, thus making it impossible to submit leave slips to the personnel department.

In our opinion, the university needs to improve controls over consulting and vacation days. Without proper controls, faculty members could use, but not report, consulting or vacation days. This practice could lead to various abuses of the university's leave system. In particular, unused vacation days (up to 30 days maximum) could be carried forward from year to year, eventually being cashed in by faculty members at retirement, resulting in additional expense to the university. We recommend that the university implement controls to ensure proper reporting, tracking, and accounting of consulting and vacation days at the department level and at the

personnel department. We also recommend that controls be implemented to ensure proper correlation between department heads and the personnel department.

**Conflicts Of Interest.** USU policy requires faculty members with actual or potential conflicts of interest to file a sworn, written statement with their dean or vice president, the president of the university, and the state attorney general, as well as the individual responsible to represent the university in any related transactions. The conflicts of interest referred to in this text pertain to faculty members who may be working at SDL and also own or having interest in a private company doing business with SDL.

In order to determine whether faculty members working at SDL own or have interest in private businesses under contract with SDL, our office would have to conduct a complete audit of each faculty member and each SDL contract and subcontract. Unfortunately, the scope of this review does not permit such extensive research. Therefore, we have not made a determination as to whether this type of conflict of interest results from faculty members working at SDL. USU officials reported that some conflict of interest statements have been filed by faculty members relating to purchasing. However, no conflicts of interest statements have been filed pertaining to ownership interest in companies doing business with SDL.

**Recommendations:**

1. We recommend that the university require all faculty and staff working at SDL to specify on time cards the exact time and hour of day that work is performed at SDL.
2. We recommend that the university develop controls to ensure that faculty and staff adhere to the university's policy which requires leave slips to be submitted when consulting and vacation days are used.
3. We recommend that the university implement controls to ensure proper reporting, tracking, and accounting of consulting and vacation days at the department level and at the personnel department.
4. We recommend that the university implement measures to ensure better correlation between department heads and the personnel department.
5. We recommend that the university emphasize and document that all faculty and staff associated with SDL understand the school's position on and policy regarding conflicts of interest and that all conflicts of interest are disclosed in accordance with policy.

We hope this letter provides you with the information you need on these issues. A response from Utah State University is attached. If you have any questions or need additional information, please contact us.

Sincerely,

Page 7  
Audit Subcommittee  
March 18, 1992

Wayne L. Welsh  
Auditor General

WLW:KDB/lm