



**NATIONAL SCIENCE FOUNDATION**  
**Division of Institution & Award Support**

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May 22, 2015

Robert Andresen  
 Assistant Director  
 Office of Research and Sponsored Programs  
 University of Wisconsin - Madison  
 21 N. Park Street, Suite 6401  
 Madison, WI 53715-1218

Re: Audit Report Nos. 13-1-001 & 13-1-003

Dear Mr. Andresen:

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of the Inspector General’s (OIG) IceCube incurred costs and Cost Accounting Standards (CAS) Noncompliance audits reports resulting from the review conducted by the Defense Contract Audit Agency (DCAA).

In the IceCube incurred costs and CAS noncompliance audit reports (OIG-13-1-001, OIG 13-1-003) the auditors DCAA reported that the University had failed to notify and obtain prior approval from NSF to change two subawards to service agreements (vendors), inappropriately charged relocation costs directly to an award, and failed to comply with its disclosed accounting practices and NSF requirements. DCAA also questioned a total of \$2,134,379 in costs under NSF award ANT-0236449.

As a result of NSF’s audit resolution efforts, including analysis of the applicable federal and NSF requirements and documentation provided by the University, NSF does not sustain these audit findings, and has determined to allow the total amount of \$2,134,379 questioned by the auditors. NSF’s detailed determinations are provided in the Management Decision Summary (Attachment 1). The table below summarizes the NSF determinations on the questioned costs.

<b>Finding Description</b>	<b>Questioned</b>	<b>Allowed</b>	<b>Sustained</b>
F&A Cost Allocated to Triad and Bit7 Subawards	\$2,127,594	\$2,127,594	\$0
Relocation Charges Directly Charged to IceCube Project	\$6,785	\$6,785	\$0
<b>Totals:</b>	<b>\$2,134,379</b>	<b>\$2,134,379</b>	<b>\$0</b>

In addition to the above findings and questioned costs, both audit reports identified a finding related to indirect costs. Specifically, DCAA found that the University “comingled indirect F&A costs within Account 2650 – Internal Services”, resulting in a “non-compliance with 48 CFR 9905.501.” NSF sustains this finding. NSF has accepted the University’s explanation regarding the limitations of its accounting system at the time that the costs were charged, but agrees that the University should be consistent in how it accumulates costs under NSF awards.

Through discussions with the University, NSF understands that actions have been taken to address the system limitations noted during DCAA’s review, and to accumulate costs consistently. NSF has determined that the University should discuss and work with its cognizant agency, as necessary, to ensure that the actions taken fully address the noted condition. NSF considers this finding resolved and closed, and requires no further action.

Finally, the DCAA audit reports identified a finding related to failure by the University to separately track contingency costs in the accounting system. However, on March 23, 2015, the NSF OIG issued the supplemental audit reports from DCAA dated April 15, 2014 (OIG 13-1-001) and May 28, 2014 (OIG 13-1-003).

In the supplemental DCAA incurred costs audit report (13-1-001), DCAA stated “Upon further review, it has been determined that there is no regulatory requirement or provision in the cooperative agreement that the contractor separately track actual “contingency costs” and therefore there is no noncompliance with CAS 501-40(b) or OMB Circular A-110 C.21.b.4 related to these costs.” Based on this statement, the DCAA “Auditor’s Response” for the finding was removed from the audit report, indicating DCAA’s departure from the finding. Similarly, DCAA also removed the contingency finding in its entirety from the supplemental CAS Noncompliance report. As a result NSF considers the findings related to separate tracking of contingency costs in both audit reports fully resolved and closed.

Based on the above determinations by NSF considers both audit reports fully resolved and closed. The University’s timely responses and full cooperation with NSF’s audit resolution process have been greatly appreciated. Should you have any questions regarding this letter or the audit resolution process, please contact Rochelle D. Ray at (703) 292-4827.

Sincerely,

*Alex Wynnyk*

Alex Wynnyk  
Branch Chief  
Cost Analysis and Audit Resolution Branch

Management Decision Summary  
13-1-001 and 13-1-003 University of Wisconsin - Madison

**Finding 1: F&A Cost Allocated to Triad and Bit7 Subawards** – NSF has determined that the University’s decision to convert two subawards to vendor service agreements was reasonable and allowable under the IceCube cooperative agreement. Additionally, NSF determined that: 1) the two subaward entities possessed the characteristics of vendors (vs. subawardees), as described in OMB A-133, Subpart B 210(b); 2) there was no federal or NSF requirement for the University to notify NSF in writing of the change from subawards to vendors; 3) despite there being no requirement, the University notified and discussed the change from subawards to vendors with the NSF program official; 4) it was not inconsistent with the University’s approved negotiated indirect cost rate agreement to charge full F&A on the vendor service agreements; and 5) the additional F&A costs charged to the NSF award represented 1% of the total project costs awarded. As a result, NSF will allow the questioned costs in the amount of \$2,127,594.

**Finding 2: Direct Charged Relocation Costs** – NSF has determined that: 1) the University followed its own policies and procedures for charging relocation costs directly to the NSF award in question; 2) that the University’s policies aligned with the Federal Cost Principles; and 3) that the documentation provided by the University to support the allocability and direct charging of the relocation costs was reasonable and adequate. As a result the NSF determination, the total questioned amount of \$6,785 is allowed. However, NSF recommends that the University update its Cost Accounting Standards (CAS) Disclosure Statement to address instances when relocation costs may be charged directly under federal awards.

**Finding 3: Indirect Costs** – NSF has determined that although there was no cost impact to the NSF IceCube award, accumulation of costs charged to the award should be consistent. NSF also determined that the University should consider implementing a mechanism that would allow for consistent accumulation of costs within the accounting system. If necessary, the University should also consult with the cognizant federal agency to ensure the adopted methodology ensures compliance.

**Finding 4: Contingency Costs** – This finding has been removed from both audit reports (OIG 13-1-001 and 13-1-003) by the Defense Contract Audit Agency (DCAA). Therefore, the finding is resolved and no further action is required.