



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

---

4201 Wilson Boulevard – Suite I-485  
Arlington, VA 22230  
(703) 292-8244  
(703) 292-9171 FAX

April 30, 2015

Kenneth Miller  
Assistant Vice President for Finance  
and University Controller  
Virginia Polytechnic Institute and State University  
North End Center, Suite 3300  
300 Turner Street NW (0312)  
Blacksburg, VA 24061

Re: Audit Report No. 14-1-002

Dear Mr. Miller:

The National Science Foundation (NSF) has completed its review and resolution of the NSF Office of the Inspector General's (OIG) audit report of the Virginia Polytechnic Institute and State University's (Virginia Tech) incurred cost audit under NSF awards for the period January 1, 2010 to December 31, 2012.

The audit report identified a total of \$1,604,129 in questioned costs under various NSF awards. As a result of NSF's audit resolution efforts, including the review and analysis of the applicable federal and NSF requirements and documentation provided by Virginia Tech, NSF has determined to allow \$1,539,991 of the costs questioned by the auditors and to disallow \$64,138, as summarized in the table below. The Management Decision Summary (Attachment 1) provides details for the basis of the management decisions for each audit report finding.

<b>Finding</b>	<b>Description</b>	<b>Questioned</b>	<b>Allowed</b>	<b>Sustained</b>
1	Exceeded NSF Limits on Senior Salary	\$1,456,716	\$1,456,716	\$0
2	Improper Allocation of Indirect Costs	\$15,585	\$0	\$15,585
3	No Benefit for Moving and Relocation Expenses	\$8,485	\$0	\$8,485
4	Unallocable Immigration Fees	\$2,913	\$0	\$2,913
5	Unreasonable Travel Expenses	\$2,101	\$0	\$2,101
6	Unreasonable Equipment and Property Charges	\$118,329	\$83,275	\$35,054
	<b>Totals:</b>	<b>\$1,604,129</b>	<b>\$1,539,991</b>	<b>\$64,138</b>

The NSF considers audit report 14-1-002 fully resolved. During resolution, NSF verified that corrective actions to remove \$11,817 in costs disallowed under findings 3, 4 and 5 have been completed by the University. Therefore upon verification that remaining disallowed costs in the amount of \$52,321 have been repaid, NSF will consider all corrective actions complete, and the audit report will be fully closed out. Please send a check for \$52,321 made out to the NSF Cashier and mailed to:

National Science Foundation  
Attn: NSF Cashier  
Division of Acquisition and Cooperative Support  
4201 Wilson Blvd., Room 475  
Arlington, VA 22230

Please be aware that the University's rights to appeal are set forth in Chapter VII.B of NSF's Award Administration Guide, which may be found at:

[http://www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=aag](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=aag)

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 NSF's audit resolution process, please contact Carrie Davison at (703) 292-4579.

Sincerely,

*Rochelle D. Ray*

Rochelle Ray  
Team Lead for Audit Resolution  
Cost Analysis and Audit Resolution Branch

Attachment 1 – Management Decision Summary  
Attachment 2 – Repayment of Disallowed Costs

Management Decision Summary  
14-1-002 Virginia Polytechnic Institute and State University

**Finding 1: Exceeded NSF Limits on Senior Salary** – NSF’s faculty salary compensation policy is budgeting guidance for the preparation and submission of proposals. As stated in the NSF “Frequently Asked Questions (FAQs) On Proposal Preparation and Award Administration” dated January 2013, awardees “can internally approve an increase or decrease in person months devoted to the project after an award is made, even if doing so results in salary support for senior personnel exceeding the 2 month salary rule. No prior approval from NSF is necessary. The caveat is if the change would cause the objective or scope of the project to change, then the awardee would have to submit an approval request via FastLane.” NSF recently clarified the policy in the latest version of the Proposal and Award Policies and Procedures (PAPPG; NSF 15-1). Based on the above, NSF has determined that the basis for this finding misinterprets NSF’s faculty salary compensation policy, and as a result, hereby allows all of the \$1,456,716 in questioned costs identified for finding number 1.

**Finding 2: Improper Allocation of Indirect Costs** – Rent and tuition costs were not excluded from the indirect cost base under award 0849031 resulting in the questioned costs. Virginia Tech agreed to repay the \$15,585 in disallowed costs. In addition, Virginia Tech’s corrective action plan to strengthen its administrative and management controls over indirect costs was accepted.

**Finding 3: No Benefit for Moving and Relocation Expenses** – Moving and relocation expenses were identified and questioned on four NSF awards for a total of \$8,485 questioned costs. Virginia Tech has repaid all disallowed costs under this finding by reversing journal entries at \$7,824. Virginia Tech’s corrective action plan to strengthen its administrative and management controls over moving and relocation was accepted, and NSF has verified that the amount of \$8,485 has been removed from the subject award.

**Finding 4: Unallocable Immigration Fees** – Immigration fees in the amount of \$2,913 were identified and questioned on two NSF awards. Virginia Tech has repaid all disallowed costs under this finding by reversing journal entries. In addition, Virginia Tech’s corrective action plan to strengthen its administrative and management controls over approving visa fees charged to federal awards was accepted. NSF has also verified that the disallowed costs have been removed from the subject award.

**Finding 5: Unreasonable Travel Expenses** – Unreasonable travel expenses were identified and questioned on three NSF awards. Virginia Tech has repaid the disallowed costs of \$419 by a reversing journal entry under one award, and has agreed to repay the remaining disallowed costs totaling \$1,682 under the other two awards. In addition, Virginia Tech’s corrective action plan to strengthen its administrative and management controls for approving travel expenses was accepted.

**Finding 6: Unreasonable Equipment and Property Charges** – The audit report identified and questioned unreasonable equipment and property charges under nine awards. NSF determined that Virginia Tech provided adequate documentation to support that the questioned costs of \$83,275 on four awards were allowable, allocable, and reasonable and allowed those costs. Virginia Tech has agreed to repay the remaining \$35,054 in disallowed costs for the remaining NSF awards.

Summary of Allowed and Disallowed Costs

	Questioned	Allowed	Disallowed	Reversing JE (Completed)	Offset	Check
Finding 1	1,456,716	1,456,716				
Finding 2						
0849031	15,585		15,585			15,585
Finding 3	8,485		8,485	7,824	661	
Finding 4	2,913		2,913	2,913		
Finding 5						
1066168	419		419	419		
0504196	1,627		1,627			1,627
0921756	55		55			55
Finding 6						
0928807	46,934	46,934				
1035042	18,711	18,711				
1118571	14,993	14,993				
0527252	2,637	2,637				
0551610	6,993		6,993			6,993
0649070	2,925		2,925			2,925
0812445	4,713		4,713			4,713
0916873	2,680		2,680			2,680
0954048	17,743		17,743			17,743
	1,604,129	1,539,991	64,138	11,156	661	52,321