



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

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

May 1, 2015

Edwin Pierce, Director  
University of California, Los Angeles  
10920 Wilshire Blvd, Suite 700  
700 Wilshire Center, Mailcode 136648  
Los Angeles, CA 90024-1366

Re: Audit Report No. 14-1-004

Dear Mr. Pierce:

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 University of California, Los Angeles' (UCLA) incurred cost audit under NSF awards for the period July 1, 2009 to June 30, 2012.

The audit report identified a total of \$2,358,380 in questioned costs under various NSF awards. As a result of NSF's audit resolution efforts, including analysis of the applicable federal and NSF requirements and documentation provided by UCLA, NSF has determined to allow \$2,229,331 of the costs questioned by the auditors and to disallow \$130,469 (note that \$1,420 more than the audit questioned amount identified under Finding 8) as detailed in Attachment 1 of this letter and summarized in the table below:

<b>Finding</b>	<b>Description</b>	<b>Questioned</b>	<b>Allowed</b>	<b>Sustained</b>
1	Overcharged Summer Salary	\$2,111,653	\$2,111,653	\$0
2	Unsupported Per Diem Costs	\$131,139	\$86,792	\$44,347
3	Unallowable Visa Application Fees	\$73,135	\$0	\$73,135
4	Unreasonable Equipment Purchases Made at the End of the Grant Period	\$15,700	\$15,700	\$0
5	Unreasonable Salary Expense Charged to an Award	\$15,186	\$15,186	\$0
6	Unallocable Domestic Travel	\$6,104	\$0	\$6,104
7	Unallowable Application of Indirect Expenses	\$3,200	\$0	\$3,200
8	Unallowable Technology Infrastructure Fees	\$2,263	\$0	\$3,683
9	Late Effort Report Certifications	\$0	\$0	\$0
	<b>Totals:</b>	<b>\$2,358,380</b>	<b>\$2,229,331</b>	<b>\$130,469</b>

NSF considers audit report 14-1-004 fully resolved. During resolution, NSF verified that the University removed \$2,360 in disallowed costs from award 0924876, related to finding number 8. The audit report will be fully closed out upon verification that the remaining disallowed costs in the amount of \$128,109 have been returned and upon acceptance of the corrective actions taken by the University to address finding number 5.

To return the disallowed costs NSF requires that a check for \$101,172 made out to the NSF Cashier be sent to:

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

The remaining \$26,937 must be repaid by downward adjustments to the affected awards using ACM\$. The "Repayment of Disallowed Costs" (Attachment 2) provides details on the adjustment amount required for each award. Please reference audit report 14-1-004 and the amounts credited by award number in the remarks section when the adjustments are made.

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

cc: Gwen Hering, UCLA External Audit Coordinator

Management Decision Summary  
14-1-004 University of California – Los Angeles

**Finding 1: Overcharged Summer Salaries** – NSF has determined that the methodology for calculating summer compensation is compliant with 2 CFR 220, Appendix A, Section J.10.d(2)(a), and consistent with the academic year methodology. Therefore, NSF has determined to allow the questioned costs of \$2,111,653. In addition, NSF has determined that there is no need for UCLA to strengthen the administrative and management controls and processes over summer salaries being charged to its federal awards. NSF considers Finding 1 resolved and closed.

**Finding 2: Unsupported Per Diem Costs** – Foreign lodging and meals and incidentals (M&I) costs were questioned due to missing receipts. UCLA’s policy allows for M&I at the federal per diem rates without receipts; NSF allowed the questioned M&I costs based on consistency with the federal travel policies for M&I. However, UCLA’s policy also did not require receipts for lodging. NSF determined that this policy did not provide complete disclosure of the use of funding provided by NSF. As a negotiated settlement, UCLA agreed to repay one-half of the foreign lodging costs. UCLA has revised its foreign travel policy.

**Finding 3: Unallowable Visa Application Fees** – Improperly allocated visa application fees that were questioned on 23 NSF grants. UCLA agreed to repay all disallowed costs. In addition, UCLA’s corrective action plan (CAP) to strengthen its administrative and management controls over visa application fees was accepted by NSF.

**Finding 4: Unreasonable Equipment Purchases Made at the End of the Grant Period** – Purchases made near the end of the grant periods were questioned under 3 NSF awards. NSF found that the purchases were allowable, allocable, and reasonable under the NSF awards and allowed all of the questioned costs.

**Finding 5: Unreasonable Salary Expenses Charged to an Award** – A late salary expense transfer was questioned under an NSF award. NSF determined that the salary expense was allowable under the NSF award. UCLA has provided evidence (via the email dated April 22, 2015) of its increased controls as stated in the CAP for items 1 to 3 as follows: 1) continue outreach and training of campus administrators to strengthen effort reporting procedures and requirements; 2) highlight this requirement in procedures posted on the Extramural Fund Management website; and, 3) develop specifications for and implement a monthly report that will flag these transactions for central review to ensure that activity reports are generated and certified in this case. NSF is reviewing the documentation provided and will notify UCLA once it has accepted the corrective actions.

**Finding 6: Unallocable Domestic Travel** – A trip under an NSF award was questioned because it was not necessary for the accomplishment of the goals of the project. UCLA agreed to repay the disallowed costs. NSF determined that this was an isolated incident.

**Finding 7: Unallowable Application of Indirect Expenses** – Indirect costs were applied to participant support costs under an NSF award. UCLA agreed to repay the disallowed costs. NSF determined that this was an isolated instance. Notwithstanding, UCLA provided additional training for staff in an effort to prevent future recurrences. No additional corrective action is required.

**Finding 8: Unallowable Technology Infrastructure Fee (TIF)** – TIF was questioned under 2 awards where the award letters stated that TIF could not be claimed as expenditures. UCLA agreed to repay an additional \$1,420 that was not questioned under the audit to fully reimburse all TIF charged to the awards. One award was fully repaid by a reversing journal entry and UCLA has agreed to repay the disallowed costs under the second award.

**Finding 9: Late Effort Report Certification** – The audit found that 50 out of 93 sampled salary transactions had late effort report certifications. UCLA's CAP was accepted and its quarterly periods subsequent to the audit have achieved over 90% compliance.

Summary of Allowed and Disallowed Costs						
	Questioned	Allowed	Disallowed	Reversing JE (Completed)	ACM\$ Adjustment	Check
Finding 1	2,111,653	2,111,653				
Finding 2						
0601082	25,285	17,297	7,988			7,988
1007227	105,854	69,495	36,359			36,359
Finding 3						
0531621	10,010		10,010			10,010
0550227	5,775		5,775			5,775
1027494	4,620		4,620		4,620	
0527015	3,365		3,365			3,365
1040868	3,157		3,157		3,157	
0501720	3,080		3,080			3,080
0714083	3,080		3,080			3,080
1027494	3,080		3,080		3,080	
1065853	3,080		3,080		3,080	
0802843	3,080		3,080			3,080
1022379	2,951		2,951		2,951	
0809832	2,772		2,772			2,772
0550227	2,616		2,616			2,616
0531621	2,385		2,385			2,385
1027494	2,310		2,310		2,310	
1040868	1,887		1,887		1,887	
0840755	1,544		1,544			1,544
0904039	1,540		1,540			1,540
1022379	1,540		1,540		1,540	
0751030	4,620		4,620			4,620
0840755	2,331		2,331			2,331
0926127	2,772		2,772		2,772	
0926127	1,540		1,540		1,540	
Finding 4	15,700	15,700				
Finding 5	15,186	15,186				
Finding 6						
0624177	6,104		6,104			6,104
Finding 7						
0643318	3,200		3,200			3,200
Finding 8						
0713178	369		1,323			1,323
0924876	1,894		2,360	2,360		
<b>Totals</b>	<b>2,358,380</b>	<b>2,229,331</b>	<b>130,469</b>	<b>2,360</b>	<b>26,937</b>	<b>101,172</b>

The disallowed amount for Finding 8 was \$1,420 more than the audit questioned amount.