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September 18, 2015

Ruth Boardman
 Associate Director of Compliance
 University of Illinois Grants & Contracts Office
 Research Park, 1901 S. First Street
 Suite A, MC 685
 Champaign, Illinois 61820

Re: Resolution of NSF OIG Audit Report No. 14-1-006

Dear Ms. Boardman:

The National Science Foundation (NSF) has completed its review and resolution of the NSF Office of the Inspector General’s (OIG) report on costs incurred under NSF awards by the University of Illinois – Urbana-Champaign (UIUC) for the period January 1, 2010 to December 31, 2012.

The audit report identified seven findings and a total of \$173,290 in questioned costs claimed on NSF awards. As a result of NSF’s audit resolution efforts, including the review and analysis of the applicable federal and NSF requirements and additional documentation provided by the University, NSF has determined to allow \$71,295 of the costs questioned by the auditors and to sustain and disallow questioned costs in the amount of \$101,995, 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.

Finding	Description	Questioned	Allowed	Sustained
1	Exceeded NSF Limits on Senior Salary	\$52,584	\$52,584	\$0
2	Expenses Charged at the End of Award Periods were Unreasonable	\$41,734	\$1,016	\$40,718
3	Expenses Charged to NSF Awards were Unsupported	\$39,296	\$0	\$39,296
4	Unreasonable Foreign Travel	\$13,196	\$0	\$13,196
5	Unallocable Travel and Conference Expenses	\$11,233	\$2,448	\$8,785
6	Indirect Costs Claimed on Participant Support Costs	\$9,784	\$9,784	\$0
7	Unallowable Relocation Expenses	\$5,463	\$5,463	\$0
	Totals:	\$173,290	\$71,295	\$101,995



NSF has verified that the necessary downward adjustments and repayments in the amount of \$101,995 have been completed. Therefore NSF considers audit report 14-1-006 fully resolved and all final action completed.

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 NSF audit resolution process, please contact me at (703) 292-4827.

Sincerely,

Rochelle D. Ray

Rochelle D. Ray, Team Lead
Cost Analysis and Audit Resolution Branch
Division of Institution and Award Support

Attachments:

1. Management Decision Summary

Management Decision Summary
14-1-006 University of Illinois, Urbana-Champaign

Finding 1: Salary Costs for Senior Personnel Exceeded NSF's Two-Month Maximum – The NSF 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 \$52,584 in questioned costs identified for finding number 1. Therefore, the finding and the questioned costs are resolved and closed.

Finding 2: Expenses Charged at the End of NSF Award Periods Were Unreasonable – The NSF management decision to sustain the finding and disallow the questioned costs is based on the University’s concurrence and agreement to remove expenditures charged at the end of the NSF award period for the cited awards. NSF has verified that the disallowed amount of \$40,718 has been removed from the affected awards, and that \$1,016 for questioned F&A costs was not charged to the awards. Therefore, the finding and the questioned costs are resolved and final action has been completed.

Finding 3: Expenses Charged to NSF Awards Were Unsupported – The NSF management decision to sustain the finding and disallow the questioned costs is based on the lack of documentation supporting the allocability of the charges to the award. The University agreed that it would reinforce the importance of retaining supporting documentation for charges to federal awards. NSF has verified that the disallowed amount of \$39,296 has been removed from the affected NSF awards. Therefore, the finding and the questioned costs are resolved and final action has been completed.

Finding 4: Unreasonable Foreign Travel – The NSF management decision to sustain the finding and disallow the questioned costs is based on the lack of documentation supporting the allocability of the PI’s collaboration with the University of Cyprus. NSF has verified that the disallowed amount of \$13,196 has been removed from the NSF award. Therefore, the finding and the questioned costs are resolved and final action has been completed.

Finding 5: Unallocable Travel and Conference Expenses – The NSF management decision to sustain the finding and disallow questioned costs in the amount of \$8,785 is based on the University’s confirmation that documentation to support the validity of the charges is no longer available. The University stated that it would reinforce the importance of retaining supporting documentation and provide additional training to staff. NSF has verified that the disallowed amount of \$8,785 has been removed from the affected awards, and that \$2,448 in questioned F&A costs was not charged to the awards. Therefore, the finding and the questioned costs are resolved and final action has been completed.

Finding 6: Indirect Costs Claimed on Participant Support Costs – The NSF management decision not to sustain the finding and to allow the \$9,784 in questioned costs is based on the determination that the costs (direct and indirect) for goods and services provided under a service agreement were reasonable, allocable and allowable. Therefore, the finding and the questioned costs are resolved and closed.

Finding 7: Unallowable Relocation Expenses – The NSF management decision not to sustain the finding and to allow the \$5,463 in questioned costs is based on the determination that the relocation costs charged directly to the NSF awards were consistent with the University’s existing policy, and that the costs were reasonable and allocable to the NSF award. Specifically, the documentation provided by the University allowed NSF to verify that the individuals in question contributed to the award; worked at least 12 months on the project, and were “located at a place sufficiently removed from the project site that their employment necessitated the change”, in accordance with the applicable NSF and federal policies. As a result, the finding and the questioned costs are resolved and closed.