



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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September 8, 2015

Daniel T. Evon, Executive Director
Contract and Grant Administration
Michigan State University
426 Auditorium Road, Room 2
East Lansing, MI 48824-1045

Re: Audit Report No. 15-1-003

Dear Mr. Evon:

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

The audit report identified a single finding with a total of \$913,210 in questioned costs related to NSF's two-month senior salary policy under multiple NSF awards.

NSF has determined that the basis for the audit finding misinterprets the NSF faculty salary compensation policy, and as a result, does not sustain the finding or the \$913,210 in questioned costs associated with the finding.

The NSF management decision is founded on the determination that 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 two 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).

The NSF considers audit report 15-1-003 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 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