



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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

July 20, 2017

Patrick Schlesinger
 Interim Associate Vice Chancellor for Research
 University of California, Berkeley
 2150 Shattuck Avenue, Suite 300
 Berkeley, CA 94704

Re: Audit Report No. 15-1-012

Dear Mr. Schlesinger

The National Science Foundation (NSF) has completed the review and resolution of the Office of the Inspector General (OIG) audit report on costs incurred under NSF awards by the University of California, Berkeley, during the period April 1, 2010 to December 31, 2012.

The audit report identified a total of \$1,863,351 in questioned costs claimed on NSF awards and recommended that the University strengthen its administrative and management controls. As a result, of its resolution efforts, NSF has determined that \$1,784,623 will be allowed, and that \$78,728 will be disallowed. In addition, NSF has determined that an additional \$11,868 identified by the University (but not questioned in the audit report) will also be disallowed. Total costs disallowed is \$90,596. The table below summarizes the disallowed and allowed costs by finding number:

Finding	Description	Questioned	Disallowed	Allowed
1	Exceeded NSF Limits on Senior Salary	\$1,608,944	\$0	\$1,608,944
2	Unreasonable Equipment Charges	\$190,689	\$24,518	\$166,171
3	Unreasonable or Unallowable Transactions	\$27,475	\$27,475	\$0
4	Unallowable or Unreasonable Meal Expenditures	\$15,451	\$13,247	\$2,204
5	Unreasonable Travel	\$9,904	\$4,600	\$5,304
5	Additional disallowed costs		\$4,373	
6	Unsupportable and Unallocable Immigration Fees	\$6,997	\$4,997	\$2,000
6	Additional disallowed costs		\$5,277	

Finding	Description	Questioned	Disallowed	Allowed
7	Purchases before Award Effective Date	\$3,891	\$3,891	\$0
7	Additional disallowed costs		\$2,218	
(Additional disallowed costs of \$11,868) Total		\$1,868,351	\$90,596	\$1,784,623

To resolve the audit findings and questioned costs, NSF conducted careful reviews of applicable federal and NSF requirements, proposal and award information maintained by NSF, and documentation provided by the University. The following provides the basis for the management decisions reached by NSF:

- Finding 1: Exceeded NSF Limits on Senior Salary**
NSF does not sustain the finding. As stated in the NSF Proposal & Award Policies and Procedures Guide (PAPPG) Chapters VII and X, an awardee 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 policy. No prior approval from NSF is necessary as long as that change would not cause the objective or scope of the project to change. Therefore, it is the NSF management decision that the \$1,608,944 questioned as excess senior salaries are allowable costs and no further action is required by the University.
- Finding 2: Unreasonable Equipment Charges**
NSF partially sustains the finding because the University either concurred, or was unable to provide adequate evidence that demonstrated the questioned equipment items were reasonable and necessary for the completion of the corresponding awards. As a result, NSF has disallowed \$24,518 of the questioned costs. NSF allowed the remaining \$166,171 based on acceptance of additional documentation provided to justify that the associated equipment purchases were necessary and reasonable for the completion of the corresponding awards.
- Finding 3: Unreasonable or Unallowable Transactions**
NSF sustains the finding based on University concurrence, and has disallowed the entire \$27,475 in questioned costs.
- Finding 4: Unallowable or Unreasonable Meal Expenditures**
NSF partially sustains the finding based on University concurrence with the majority of the costs questioned and has disallowed \$13,247 of the total amount questioned. NSF does not sustain the basis for questioning meals in the amount of \$2,204 that were not included in the budget. As described in the NSF Proposal & Award Policies and Procedures Guide (PAPPG) Chapters VII and X, and as provided for in the Grant General Conditions for Prior Approval Requirements, Grantees have broad authority to transfer funds from one budget category to another without approval by NSF. As a result, NSF allowed \$2,204 of the questioned costs that were not budgeted based upon review and acceptance of additional documentation that the meals were integral and necessary for the workshop participants.
- Finding 5: Unreasonable Travel**

NSF does not sustain the finding. The basis for questioning costs was because budgeted travel was removed prior to making the awards. NSF disagrees that budget adjustments prior to award constitutes a “change of scope” and elimination of necessary travel during performance. NSF policy, as stated in the Proposal and Award Manual (PAM), Chapter VI, is to award on a “bottom line” basis with recognition of the Grantee’s rebudgeting authority. Notwithstanding that NSF disagrees with the basis for questioning the travel costs, the questioned travel transactions were analyzed for allowability. As a result, NSF has disallowed \$4,600 plus and an additional \$4,373 that was identified by the University during resolution, but not questioned under the audit. NSF allowed \$5,304 based on acceptance of additional documentation reviewed and a determination that the travel was necessary and reasonable under the grants.

- **Finding 6: Unsupportable and Unallocable Immigration Fees**

NSF partially sustains the finding based on University concurrence and has disallowed \$4,997 plus an additional \$5,277 identified by the University during resolution, but not questioned under the audit. NSF allowed \$2,000 for visas based on subsequent PI certifications that all effort contributed by the visiting scholars was devoted to an NSF award.

- **Finding 7: Purchase Before Award Effective Date**

NSF sustains the finding because the University was unable to provide evidence of NSF approval to incur costs prior to 90 days before the award start date. As a result, \$3,891 is disallowed. An additional \$2,218 is disallowed in related indirect costs.

Please be aware that the University’s right to appeal cost disallowances by NSF is outlined in Chapter XII.B of the NSF Proposal and Award Policies and Procedures Guide (PAPPG), which may be found online at: https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg.

As of the date of this letter, the University has provided evidence of repayment of \$67,104 of the \$90,596 disallowed. **The remaining disallowed amount of \$23,492 may be repaid via www.pay.gov.**

In reference to compliance and internal control recommendations in the audit report, NSF accepts the University’s stated corrective actions as responsive to the recommendations and considers the recommendations to be resolved and closed.

Based on the above, NSF considers all findings and questioned costs resolved. Upon verification that repayment of the remaining \$23,492 has been completed, the audit report will be fully closed out by NSF.

The University’s timely responses and full cooperation with the NSF 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) 292-4579.

Sincerely,

Rochelle D. Ray

Rochelle Ray, Branch Chief

Resolution and Advanced Monitoring Branch

Division of Institution & Award Support