



**2415 Eisenhower Avenue – Suite E 7400**  
**Alexandria, VA 22314**

October 13, 2017

Kenneth Schulz  
 Associate Vice President for  
 Research Financial Compliance and Services  
 Stanford University  
 128 Encina Commons  
 Stanford, CA 94305-6025

**Re: Resolution of NSF OIG Audit Report No. 15-1-020**

Dear Mr. Schulz:

The National Science Foundation (NSF) has completed its review and resolution of the NSF Office of the Inspector General’s (OIG) report addressing costs incurred under NSF awards by Stanford University during the period January 1, 2010 to December 31, 2012, as well as the reasonableness, accuracy and timeliness of American Reinvestment and Recovery Act (ARRA) quarterly reporting.

The audit report identified a total of \$337,377 in questioned costs claimed on 54 NSF awards, and found that the University complied with all ARRA reporting requirements. As a result of NSF’s audit resolution effort, including review and analysis of the applicable federal and NSF requirements and documentation provided by the University, NSF has determined to allow \$267,337 and to disallow costs in the amount of \$70,040. For your convenience, all disallowed costs are summarized in the table below:

<b>Finding</b>	<b>Description</b>	<b>Questioned</b>	<b>Allowed</b>	<b>Disallowed</b>
1	Exceeded NSF Limits on Senior Salary	\$124,279	\$124,279	\$0
2	Unreasonable and Unallowable Travel Costs	\$44,508	\$22,815	\$21,693
3	Unsupported Allocation of Costs	\$84,197	\$83,953	\$244
4	Improperly Charged or Inadequately Documented Costs	\$72,375	\$24,272	\$48,103
5	Cost Transfers Due to Overrun	\$12,018	\$12,018	\$0
	<b>Total:</b>	<b>\$337,377</b>	<b>\$267,337</b>	<b>\$70,040</b>



To resolve the audit findings and questioned costs, NSF conducted detailed review of applicable federal and NSF requirements, proposal and award information maintained by NSF, and documentation provided by Stanford 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 \$124,279 questioned as excess senior salaries are allowable costs and no further action is required by the University.
- **Finding 2: Unreasonable and Unallowable Travel Costs**  
The finding is partially sustained. Stanford University concurred with \$9,742 of the \$44,508 questioned, and based on a review of documentation, an additional \$11,951 in travel costs were determined by NSF to be unallowable on the basis of unreasonableness and lack of documentation. As a result, a total of \$21,693 is disallowed (see Attachment 1 for details), and the remaining \$22,815 is allowable.
- **Finding 3: Unsupported Allocation of Costs**  
NSF partially sustains the finding, and notes that 2 CFR 220, Appendix A, Section C.4.d(3) allows for a direct cost to be allocated to two or more projects if the allocation can be determined “without undue effort or cost.” The same section also states that a cost that benefits two or more projects/activities in proportions that cannot be determined due to interrelatedness of the work may be allocated/transferred “on any reasonable basis...” Based on a review of detailed award information and the University’s ability to articulate reasonable methodologies for allocation of most of the costs questioned, it is the NSF management decision to disallow \$244 to which the University agreed, and to allow the remaining \$83,953.
- **Finding 4: Improperly Charged or Inadequately Documented Costs**  
The finding is partially sustained. The University concurred with \$41,853 of the costs questioned, and NSF disallowed another \$6,250 in consultant costs for which the rationale and basis for the rate of pay was not documented by the University. NSF review of supporting documentation and award details resulted in the determination that \$24,272 represent costs that were reasonable, allocable and allowable. As a result, a total of \$48,103 is disallowed, and the remaining \$24,272 will be allowed.
- **Finding 5: Cost Transfer Due to Overrun**  
This finding is not sustained. The audit report questioned \$12,018 on the basis that costs between two NSF awards appeared to have been transferred because one award lacked available funding to absorb the costs. However, the NSF review of detailed award information, including project reports and certified effort allocation information determined that the cost transfer represented reasonable, allocable charges. Thus, it is the NSF management decision that the total amount of \$12,018 will be allowed.



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](https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg).

Regarding the compliance and internal control recommendations associated with the audit findings, NSF determined that the University's existing policies and procedures provide reasonable assurance of compliance under awards issued to it by NSF. The Agency also notes that both the costs questioned, and the \$70,040 disallowed by NSF represent less than 1% of the \$211 million audit universe. As a result, NSF considers that University controls over the areas identified in the audit report are working as intended.

Based on the above, NSF considers all findings, recommendations and questioned costs resolved. Upon verification that repayment of the disallowed amount of \$70,040 has been repaid via [www.pay.gov](http://www.pay.gov) or check, the audit report will be fully closed out by NSF. Any necessary adjustments to ACM\$ as a result of the required repayment will be made by the NSF Division of Financial Management. Please note that checks should be made out to NSF and addressed as follows:

Attn: NSF Cashier  
National Science Foundation  
2415 Eisenhower Avenue, Suite C 7027  
Alexandria, VA 22314

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) 292-4827.

Sincerely,

***Rochelle D. Ray***

Rochelle D. Ray, Chief  
Resolution and Advanced Monitoring Branch  
Division of Institution and Award Support