



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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

May 2, 2016

Amir Rahnamay-Azar
Vice President for Finance and Chief Financial Officer
Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213-3890

Re: Audit Report No. 15-1-022

Dear Mr. Rahnamay-Azar:

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of the Inspector General (OIG) audit report addressing Carnegie Mellon University (CMU) incurred costs for NSF awards during the period October 1, 2011 to September 30, 2014.

The audit report identified four findings and a total of \$149,672 in questioned costs related to NSF's two-month senior salary policy, and unallowable compensation, airfare expenses, and relocation costs. Based on the review and resolution conducted, NSF will allow \$108,819, and disallow \$40,853 as follows:

- NSF does not sustain finding number one, "Salary Costs Exceed NSF's Allowable Limits". 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 clarified the policy in the Proposal and Award Policies and Procedures (PAPPG; NSF 15-1). Therefore, it is the NSF management decision that the \$108,819 questioned as excess senior salaries is allowable. This finding is considered resolved and closed.
- NSF sustains finding number two because the University was unable to provide documentation that demonstrates that the additional salary at twice the monthly compensation was justified or consistent with established university policies, as required by 2 CFR 220 Appendix A, J.10. Without the proper documentation, NSF was unable to determine the reasonableness of the costs questioned, and therefore disallows the amount of \$19,399.

- For findings three and four, the University agreed to repay the questioned airfare and relocation costs because its staff did not adhere to the established university policies and procedures. Therefore NSF sustains both findings, and disallows the amounts of \$14,417 and \$7,037, respectively.

As outlined in the attached repayment schedule, the amount of \$40,439 disallowed by NSF must be repaid through downward adjustments to the respective awards, in the Award Cash Management Service (ACM\$). Because the federal appropriation used to fund award CNS-0926181 has expired, the University must repay the disallowed amount of \$414.00 using the www.pay.gov website.

Please be aware that the University's right to appeal cost disallowances by NSF is outlined in Chapter VII.B of the NSF Award Administration Guide (AAG), which may be found online at:

http://www.nsf.gov/pubs/policydocs/pappguide/nsf16001/aag_7.jsp

NSF considers audit report 15-1-022 resolved and closed, and appreciates the University's timely response and overall cooperation with the audit resolution process. Should you have any questions regarding this letter or the NSF audit resolution process, please feel free to contact me at (703) 292-4827.

Sincerely,

Rochelle D. Ray

Rochelle Ray

Team Lead for Audit Resolution

Cost Analysis and Audit Resolution Branch

Attachment