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October 6, 2016

Willem Roos  
 Chief Accounting Officer  
 Georgetown University  
 3700 O Street Northwest,  
 Washington DC 20057

**Re: Resolution of NSF OIG Audit Report No. 16-1-022**

Dear Mr. Roos:

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 Georgetown University (GU) during the period January 1, 2010 to December 31, 2012.

The audit report identified a total of \$110,547 in questioned costs claimed on 17 NSF awards. As a result of NSF’s audit resolution efforts including the review and analysis of the applicable federal and NSF requirements and documentation provided by the University, NSF has determined to allow \$9,825 and to disallow costs in the total amount of \$135,638, including an additional disallowance of \$34,916 in subaward costs associated with finding three. 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	Unreimbursable Expenses Claimed on NSF Awards	\$54,722	\$0	\$54,722
2	Unsupported Expenses Charged to NSF Awards	\$22,165	\$0	\$22,165
3	Indirect Costs Improperly Charged on Participant Support Costs	\$14,496	\$0	\$49,412
4	Salary Costs Exceeded NSF’s Allowable Limits	\$9,825	\$9,825	\$0
5	Claimed Expenses Did not Benefit NSF Awards	\$4,797	\$0	\$4,797
6	Airline Travel Did Not Comply with the Fly America Act	\$2,692	\$0	\$2,692
7	Overstated Salary Expenses Charged to NSF Awards	\$1,850	\$0	\$1,850
	<b>Totals:</b>	<b>\$110,547</b>	<b>\$9,825</b>	<b>\$135,638</b>



Please note that with the exception of findings three and four, the NSF management decision to sustain findings one, two, and five through seven is based on the University's concurrence as communicated in the response to the draft audit report dated July 22, 2016. As a result, NSF disallowed a total of \$86,266 under these five findings.

According to finding number 3, in addition to \$1,121 for inappropriately charged indirect costs associated with participant travel, the auditors questioned \$13,375 in indirect costs related to a subaward under award DBI-0850319. The basis for questioning these costs was that the University failed to "...identify the subaward [to University of Delaware (UD)] as participant support costs, as a result, inappropriately charged \$13,375 in indirect costs to NSF." NSF disagrees with this portion of the finding because a subaward is not an allowable participant support cost. Thus, Georgetown University was correct in not identifying the subaward as such.

During resolution however, NSF determined that the subaward issued to UD by Georgetown University was never approved by NSF prior to being entered into, as required by the NSF Research Terms and Conditions applicable to the award. NSF further determined from audit work papers that Georgetown University described the agreement with UD as "a subagreement [that] functioned as a vendor", for which NSF prior approval was not sought. Therefore, NSF made the management decision to disallow a total of \$48,291 related to the subaward. This amount includes the subaward costs \$34,916 and the associated F&A costs of \$13,375. Going forward, NSF recommends that the University develop and implement detailed policies and procedures to assist staff with determining the appropriate mechanism (contract vs. subaward, per 2 CFR 200.230, *Subrecipient and contractor determinations*) to be used under federal awards. As a result, the total amount disallowed under finding number three is \$49,412.

Finally, the NSF management decision for finding number four, *Salary Costs Exceeded NSF's Allowable Limits*, is based upon the prior determination that "NSF and its awardees are partners in the research enterprise as acknowledged via the assistance award finding mechanism. By the nature of assistance awards, awardees have the responsibility to determine how best to achieve stated goals within project objective or scope. Given this need for flexibility, proposed projects budgets with personnel compensation in excess of two months must be approved by NSF and included in the award notice. However, research often requires adjustments, and NSF permits post award re-budgeting of such compensation without prior Agency approval, unless it results in changes to objectives or scope", as previously decided by the NSF Audit Follow Up Official.

Although Georgetown University agreed to repay the \$9,825 in questioned costs associated with finding four, based on a review of the audit work papers, NSF believes that it would be unreasonable and inappropriate to accept repayment of these questioned cost, given the Agency's management decisions on previous findings related to senior salary charges that exceed the two-month limitation. Therefore, no additional action is required by the University for finding number four.

Please note that should Georgetown University decide to appeal any of the \$135,638 in cost disallowances determined by NSF, the rights to appeal are set forth in Chapter VII.B of NSF's *Award Administration Guide*, and may be found at:

[http://www.nsf.gov/pubs/policydocs/pappguide/nsf16001/aag\\_7.jsp](http://www.nsf.gov/pubs/policydocs/pappguide/nsf16001/aag_7.jsp)



The total amount of disallowed costs may be repaid via a single check, as requested. The University should remit the total amount of \$135,638 made out to the National Science Foundation, and send it to the attention of the “NSF Cashier” at the address below. Please be sure to reference “OIG Audit Report No. 16-1-022” in the comment section.

Attn: NSF Cashier - National Science Foundation  
Division of Acquisition and Cooperative Support  
4201 Wilson Blvd., Rm 475  
Arlington, VA 22230

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, Team Lead  
Cost Analysis and Audit Resolution Branch  
Division of Institution and Award Support