



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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September 15, 2017

Ms. Victoria Doksa
Manager Financial Reporting
Pennsylvania State University
214 James Elliot Building
120 S. Burrowes Street
University Park, PA 16802

Re: Audit Report No. 17-1-001

Dear Ms. Doksa:

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 Pennsylvania State University (PSU) during the period April 1, 2012 to March 31, 2015.

The audit report identified a total of \$135,695 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 \$124,481 will be allowed, and that \$11,214 will be disallowed. The table below summarizes the disallowed and allowed costs by finding number:

| Finding | Description | Questioned | Disallowed | Allowed |
|----------------|--|-------------------|-------------------|------------------|
| 1 | Exceeded NSF Limits on Senior Salary | \$63,472 | \$0 | \$63,472 |
| 2 | Unallowable Indirect Expenses | \$57,600 | \$0 | \$57,600 |
| 3 | Unallowable Pre-award Computer Purchase | \$8,112 | \$8,112 | \$0 |
| 4 | Unallowable Relocation Expense | \$3,409 | \$0 | \$3,409 |
| 5 | Expenses Inappropriately Allocated To NSF Awards | \$3,102 | \$3,102 | \$0 |
| Total | | \$135,695 | \$11,214 | \$124,481 |

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 \$63,472 questioned as excess senior salaries are allowable costs and no further action is required of the University.
- **Finding 2: Unallowable Indirect Expenses**
NSF does not sustain the finding. NSF has determined that the high capacity data storage agreement is a purchased service rather than a rental agreement and that the related indirect costs are allowable in accordance with the University's approved disclosure statement. As a result, NSF has determined to allow the \$57,600 of questioned costs.
- **Finding 3: Unallowable Pre-award Computer Purchase**
NSF sustains the finding. The University was unable to provide evidence of NSF approval to incur costs prior to 90 days before the award start date. Therefore, NSF disallowed the entire \$8,112 in questioned costs.
- **Finding 4: Unallowable Relocation Expenses**
NSF does not sustain the finding. NSF has determined that under normal rebudgeting authority, awardees may internally approve relocation expenses after an award is made. As of PAPPG 15-1, NSF has subsequently clarified the PAPPG language to delete the proposal reference under relocation expenses and align NSF guidance with the OMB cost principles. NSF determined that: (1) the University followed its own policies and procedures for charging relocation costs directly to the NSF award in question; (2) the University's policies and procedures aligned with the Federal Cost Principles; and (3) documentation provided by PSU to support the allocability and allowability for directly charging relocation costs was reasonable and adequate. Therefore, NSF's management decision is to allow the entire \$3,409 of questioned costs.
- **Finding 5: Expenses Inappropriately Allocated to NSF Awards**
NSF sustains the finding based on University concurrence, and has disallowed the entire \$3,102 of questioned costs.

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

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. The University has provided full repayment of disallowed costs in the amount of \$11,214. Therefore, the audit report is considered closed.

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,

Carrie Davison

Carrie Davison, Lead Analyst

Resolution and Advanced Monitoring Branch

Division of Institution and Award Support