



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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May 4, 2018

Cindy Kiel
Executive Associate Vice Chancellor
Office of Research
University of California, Davis
1850 Research Drive, Suite 300
Davis, CA 95618

Reference: OIG Report No. 17-1-002

Dear Ms Kiel:

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on costs incurred under NSF awards by the University of California, Davis during the period of January 1, 2008 to December 31, 2010.

The audit report identified a total of \$2,330,503 in questioned costs claimed on NSF awards and recommended that the University strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined that \$2,243,650 will be allowed and that \$86,853 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Allowed	Disallowed
1	Questioned Equipment Charges	\$ 382,646	\$378,253	\$ 4,393
2	Questioned Cost Transfers	\$ 83,488	\$13,943	\$69,545
3	Questioned Workshop and Conference Costs	\$39,578	\$33,083	\$6,495
4	Questioned Purchase Card Transactions	\$14,164	\$7,744	\$6,420
5	Salary and Benefits were Unreasonable and Exceeded NSF Limits	\$1,810,627	\$1,810,627	\$0
	Total	\$ 2,330,503	\$2,243,650	\$86,853

To resolve the audit findings and questioned costs, NSF conducted detailed a review 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: Questioned Equipment Charges**
NSF partially sustains the finding. The University concurred that the actual cost of an item could not be documented and agreed to repay \$4,393. NSF determined that the remaining \$378,253 were allowable costs based on review and acceptance of additional documentation to justify that the equipment purchases were necessary and reasonable for the completion of the corresponding awards. It is NSF's management decision to disallow \$4,393 and to allow \$378,253.
- **Finding 2: Questioned Cost Transfers**
NSF partially sustains the finding. The University concurred that \$69,545 was not allocable to the respective awards and agreed to repayment. NSF determined that the remaining \$13,943 were for costs allocable to the corresponding awards. It is NSF's management decision to disallow \$69,545 and to allow \$13,943.
- **Finding 3: Questioned Workshop and Conference Costs**
NSF partially sustains the finding. The University agreed that it charged \$6,495 more than the costs proposed and approved by NSF to an award, due to reliance on a superseded budget. NSF determined that \$33,083 was allowable because invoices confirmed the allowability of total costs for the workshops and conferences; and it was acceptable for the University to determine the amounts charged to the NSF award and cost sharing accounts mathematically rather than identifying specific costs allocable to the awards. It is NSF's management decision to disallow \$6,495 and to allow \$33,083.
- **Finding 4: Questioned Purchase Card Transactions**
NSF partially sustains the finding due to University's agreement to repay \$6,420. NSF determined that the remaining \$7,744 for the purchase of computers was necessary for NSF research, and that the respective awards benefited from the purchases. It is NSF's management decision to disallow \$6,420 and to allow \$7,744.
- **Finding 5: Salary and Benefits were Unreasonable and Exceeded NSF Limits**
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 senior 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 \$1,810,627 questioned as excess senior salaries are allowable costs and no further action is required by the University.

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.

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 by NSF. The Agency also notes that the \$86,853 disallowed by NSF represents .06% of the \$142.2 million audit universe. As a result, NSF considers that the University's controls over the areas identified in the audit report are working as intended.

As of the date of this letter, the University has provided evidence of repayment and offset of \$23,083 of the \$86,853 disallowed. **The remaining disallowed amount of \$63,770 may be repaid via www.pay.gov or a check payable to the National Science Foundation.** Please be sure to reference OIG Audit Report No. 17-1-002. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management. Mail checks to:

National Science Foundation
Attention: NSF Cashier
2415 Eisenhower Avenue
Alexandria, VA 22314

Based on the above, NSF considers all findings and questioned costs resolved. Upon verification that repayment of the remaining \$63,770 disallowed costs 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 Victor Vélez at 703-292-2710.

Sincerely,

Carrie Davison

Carrie Davison, Lead Analyst
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support