



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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April 24, 2018

Dr. Cynthia Sagers,
 Vice President for Research
 Oregon State University
 A312 Kerr Administration Building
 Corvallis, Oregon 97331

Re: Audit Report 17-1-004

Dear Dr. Sagers:

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on all costs incurred from January 1, 2012 through December 31, 2015, for the Research Vessel *Oceanus*.

The audit report identified \$5,130 in questioned salary costs, and a surplus of Major Overhaul and Stabilization Account (MOSA) funds in the amount of \$315,016 that were not reported to NSF. As a result, auditors made a recommendation to NSF for “funds put to better use” (i.e., funds that could have been used by NSF to support other research). The auditors also recommended that NSF work with the NSF Program Officer to ensure annual financial reports and funding requests for MOSA properly account for and apply any residual finding balances.

As a result of its resolution efforts, NSF has determined that \$48 of the questioned salary costs will be allowed, and \$5,082 will be disallowed. In addition, NSF does not sustain the funds put to better use recommendation. The table below summarizes the audit report findings:

| Finding | Description | Funds Put to Better Use | Questioned | Disallowed | Allowed |
|---------|--|-------------------------|------------|------------|---------|
| 1 | Maintained a Surplus of Federal Funds for MOSA and Could Not Provide Assurance That MOSA Funds Will Be Spent as Intended | \$315,016 | \$ 0 | \$ 0 | \$ 0 |
| 2 | OSU submitted Inaccurate Annual Reports and Overstated MOSA Funding Requirements | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 3 | Return Improper Salary and Related Charges | | \$5,130 | \$5,082 | \$48 |
| | Total | \$315,016 | \$ 5,130 | \$5,082 | \$48 |

To resolve the audit findings, NSF conducted detailed 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: OSU Maintained a Surplus of Federal Funds for MOSA and Could Not Provide Assurance That MOSA Funds Will Be Spent as Intended**

NSF does not sustain the finding. NSF has determined that the Cooperative Agreement terms and conditions regarding MOSA took precedence over the OSU’s standard policy for the receipt and disbursement of Federal funds; and that MOSA funds were accrued in advance, in accordance with the intent of the cooperative agreement terms and conditions. Based on a review of documentation to support MOSA outlays and the

negative MOSA balance as of November 30, 2017, NSF has reasonable assurance that MOSA funds were expensed as intended. NSF's management decision is to not sustain the audit recommendation of \$315,016 in funds put to better use.

- **Finding 2: OSU submitted Inaccurate Annual Reports and Overstated MOSA Funding Requirements**
NSF sustains the finding. NSF worked with both OSU and the NSF Program Officer to determine appropriate actions to ensure that the University's annual financial reports and MOSA funding requests properly account for and apply any residual funding balances.
- **Finding 3: OSU Should Return Improper Salary and Related Charges**
NSF sustains the finding based on University concurrence and will disallow \$5,082. NSF will allow \$48 for questioned indirect costs that were applied to fringe benefits because, per OSU's negotiated rate agreement, indirect costs are not applied to fringe benefits.

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.

OSU has provided evidence for the repayment of \$2,656 of the \$5,082 disallowed. **The remaining disallowed amount of \$2,426 may be repaid via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 17-1-004 in the comment section. Any necessary adjustments to ACM\$ as a result 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 \$2,426 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 appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please feel free to contact Christi Whittredge at 703-292-2540.

Sincerely,

Carrie Davison

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