



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

2415 Eisenhower Avenue
Alexandria, VA 22314
(703) 292-8244

June 4, 2018

John Freyermuth
Government Accounting and Compliance Manager
Raytheon BBN Technologies
870 Winter Street
Waltham, MA 02451

Reference: OIG Report No. 17-1-007

Dear Mr. Freyermuth:

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 Raytheon BBN Technologies during the period of October 1, 2012 to September 30, 2015.

The audit report identified a total of \$96,106 in questioned costs claimed on NSF awards and recommended that the Raytheon BBN strengthen its administrative and management controls and processes related to subawardee invoices that are charged to Federal awards. As a result of its resolution efforts, NSF has determined that \$21,350 will be allowed and that \$74,756 will be disallowed. NSF has also determined that an additional \$5,387 identified by Raytheon BBN (but not questioned in the audit report) will be disallowed for associated indirect burdening and fee. The total disallowed amount is \$80,143. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Allowed	Disallowed
1	Subaward Expenses not Allocable to NSF Awards	\$96,106	\$21,350	\$74,756
1	Additional disallowed costs			\$5,387
	Total	\$96,106	\$21,350	\$80,143

To resolve the audit findings and questioned costs, NSF conducted a detailed review of applicable Federal and NSF requirements, proposal and award information maintained by NSF, and documentation provided by the Raytheon BBN. The following provides the basis for the management decisions reached by NSF:

- **Finding 1: Subaward Expenses not Allocable to NSF Awards**

NSF partially sustains the finding. NSF determined that \$21,350 of the questioned costs represented allowable, allocable costs under the NSF award. Based on Raytheon BBN's concurrence, NSF's management decision is to disallow the remaining questioned costs of \$74,756 and to also disallow an additional \$5,387 for associated indirect burdening and fee that were identified by Raytheon BBN.

Please be aware that Raytheon BBN'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.

NSF accepts Raytheon BBN's stated corrective actions as responsive to the compliance and internal control recommendation to strengthen its administrative and management controls and processes related to subawardee invoices and considers the recommendation resolved and closed.

The total disallowed amount is \$80,143, of which Raytheon BBN has provided evidence of \$70,674 in repayment. Upon verification that repayment of the remaining disallowed amount (\$9,469) has been completed, the audit report will be fully closed out by NSF. **Repayment of the \$9,469 may be made via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 17-1-007. 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

Raytheon BBN's timely responses and 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 Carrie at 703-292-4579.

Sincerely,

Rochelle D. Ray

Rochelle D. Ray, Branch Chief
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support