



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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October 26, 2018

Lisa K. Akin
Regents Fellow
Director, Risk and Compliance
Texas A&M Engineering Experiment Station
7607 Eastmark Drive
College Station, Texas 77840

Reference: OIG Report No. 18-1-002

Dear Ms. Akin:

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 Texas A&M Engineering Experiment Station (TEES) during the period of May 1, 2013 through April 30, 2016.

The audit report identified a total of \$80,055 in questioned costs claimed on NSF awards and recommended that TEES 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 \$7,271 will be allowed and that \$72,784 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Allowed	Disallowed
1	Expenses Not Appropriately Allocated to NSF Awards	\$ 28,232	\$0	\$ 28,232
2	Equipment and Supply Expenses Charged at the End of the Award Period	\$ 14,759	\$ 7,271	\$ 7,488
3	Unallowable Foreign Travel Expense	\$ 13,827	\$0	\$ 13,827
4	Inappropriate Allocation of Indirect Costs	\$ 8,484	\$0	\$ 8,484
5	Unsupported Salary Expense	\$ 8,111	\$0	\$ 8,111
6	Inappropriate Spending of Participant Support Costs	\$ 6,642	\$0	\$ 6,642
	Total	\$ 80,055	\$ 7,271	\$ 72,784

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

- **Finding 1: Expenses Not Appropriately Allocated to NSF Awards**
NSF sustains the finding. TEES concurred that \$28,232 was not allocable to the respective NSF awards. It is NSF's management decision to disallow the questioned costs totaling \$28,232.
- **Finding 2: Equipment and Supply Expenses Charged at the End of the Award Period**
NSF partially sustains the finding. TEES concurred that \$7,488 was not allocable to the respective award and agreed to repayment. NSF determined that the remaining \$7,271 were allowable costs based upon the review and acceptance of additional documentation to justify that the equipment and supply purchases were necessary and reasonable for the completion of the corresponding award. It is NSF's management decision to disallow \$7,488 and to allow \$7,271.
- **Finding 3: Unallowable Foreign Travel Expense**
NSF sustains the finding. TEES concurred that \$13,827 of unallowable travel expenses was charged to seven awards. It is NSF's management decision to disallow the questioned costs totaling \$13,827.
- **Finding 4: Inappropriate Allocation of Indirect Costs**
NSF sustains the finding. TEES concurred that \$8,484 of indirect costs were inappropriately charged to two awards. It is NSF's management decision to disallow the questioned costs totaling \$8,484.
- **Finding 5: Unsupported Salary Expense**
NSF sustains the finding. TEES concurred that \$8,111 of unsupported salaries and fringe benefits was charged to an award. It is NSF's management decision to disallow the questioned costs totaling \$8,111.
- **Finding 6: Inappropriate Spending of Participant Support Costs**
NSF sustains the finding. TEES concurred that \$6,642 of participant support costs was rebudgeted under an NSF award without prior written approval. It is NSF's management decision to disallow the questioned costs totaling \$6,642.
- **Finding 7: Inappropriate Application of Proposed Negotiated Indirect Cost Rates**
NSF sustains the finding. TEES concurred that indirect expenses were inappropriately applied to NSF awards at the Negotiated Indirect Cost Rate Agreement (NICRA) rate in effect when grants were proposed rather than at the rate in effect at the time of the award. NSF believes that the corrective actions proposed should work to improve compliance with 2 CFR 200, Appendix III, Section C (7).

NSF accepts TEES' stated corrective actions as responsive to the compliance and internal control recommendations related to the audit findings and NSF considers the recommendations resolved and closed.

The total disallowed amount is \$72,784, of which TEES has provided evidence of \$25,570 in repayment. **Repayment of the remaining \$47,214 may be made via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 18-1-002. Any necessary adjustments to ACM\$ resulting from 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

Please be aware that TEES' 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.

Based on the above, NSF considers all findings and questioned costs resolved. Upon verification that repayment of the remaining \$47,214 disallowed costs has been completed, the audit report will be fully closed out by NSF.

TEES' 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 Víctor L. Vélez at 703-292-2710.

Sincerely,

Carrie Davison

Carrie Davison, Lead Analyst

Resolution and Advanced Monitoring Branch

Division of Institution and Award Support