



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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June 4, 2019

Michelle D. Christy, Senior Director
Office of Sponsored Programs
Massachusetts Institute of Technology
77 Massachusetts Avenue, Building NE18-901
Cambridge, Massachusetts 02139-4307

Reference: OIG Report No. 18-1-006

Dear Ms. Christy:

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 the Massachusetts Institute of Technology (MIT) during the period of May 1, 2014 through April 30, 2017.

The audit report questioned a total of \$331,114 in costs claimed under NSF awards and recommended that MIT 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 \$331,114 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Disallowed	Allowed
1	Inappropriate Allocation of Indirect Costs	\$255,745	\$255,745	\$0
2	Inappropriate Allocation of Expenses	\$52,524	\$52,524	\$0
3	Equipment Expenses Charged at the End of the Award Period	\$17,266	\$17,266	\$0
4	Unsupported Expenses	\$4,254	\$4,254	\$0
5	Travel Not in Compliance with the Fly America Act	\$1,325	\$1,325	\$0
Total		\$331,114	\$331,114	\$0

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

- **Finding 1: Inappropriate Allocation of Indirect Costs**
NSF sustains the finding. Based on MIT's concurrence, NSF's management decision is to disallow the questioned costs of \$255,745.

- **Finding 2: Inappropriate Allocation of Expenses**
NSF sustains the finding. Based on MIT's concurrence and a lack of documentation to support the allowability of the questioned travel expenses under award 1117381, NSF's management decision is to disallow the questioned costs of \$52,524.
- **Finding 3: Equipment Expenses Charged at the End of the Award Period**
NSF sustains the finding. Based on MIT's concurrence, NSF's management decision is to disallow the questioned costs of \$17,266.
- **Finding 4: Unsupported Expenses**
NSF sustains the finding. Based on MIT's concurrence, NSF's management decision is to disallow the questioned costs of \$17,266.
- **Finding 5: Travel Not in Compliance with the Fly America Act**
NSF sustains the finding. Based on MIT's concurrence, NSF's management decision is to disallow the questioned costs of \$1,325.
- **Finding 6: Non-compliance with MIT's Expense Reporting Policy**
NSF sustains the finding. MIT concurred with this finding and NSF believes that the corrective actions proposed by the University should work to improve compliance with Expense Reporting requirements.
- **Finding 7: Non-Compliance with MIT's Travel Policy**
NSF does not sustain the finding. MIT's travel policy to purchase airline tickets at least 14 days in advance of travel is a best practice, not a requirement.
- **Finding 8: Lack of Documentation for Constructive Airfare Costs**
NSF sustains the finding. MIT concurred with this finding and NSF believes that the corrective actions proposed by the University should work to improve compliance with travel requirements.

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

Based on the above, the total disallowed amount is \$331,114, of which MIT has provided evidence of \$53,198 in repayment. **Repayment of the remaining \$277,916 may be made via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 18-1-006. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management.

Check repayments must be addressed as follows:

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

Please be aware that MIT'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 considers all audit report findings and questioned costs resolved. Upon verification that repayment of all disallowed costs has been completed, the audit report will be fully closed out by NSF.

MIT'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, Team Lead – Audit Resolution
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support