



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

2415 Eisenhower Avenue
 Alexandria, VA 22314
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September 18, 2019

Seth Bodnar
 President
 University of Montana
 32 Campus Drive, UH 109
 Missoula, MT 59812-3324

Reference: OIG Report No. 18-1-007

Dear Mr. Bodnar:

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 Montana (UM) during the period of September 1, 2013 through August 31, 2016.

The audit report questioned a total of \$367,779 in costs claimed under NSF awards and recommended that UM 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 the entire questioned amount of \$367,779 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Disallowed	Allowed
1	Unallowable Use of Research Base Salaries	\$342,020	\$342,020	\$0
2	Inappropriately Allocated Expenses	\$18,932	\$18,932	\$0
3	Unallowable Expenses	\$6,827	\$6,827	\$0
Total		\$367,779	\$367,779	\$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 NSF, and documentation provided by UM. The following provides the basis for the management decisions reached by NSF:

- Finding 1: Unallowable Use of Research Base Salaries**
 NSF sustains the finding. NSF has determined that UM's practice of establishing a Research Base Salary (RBS) under a second appointment which is higher than the Institutional Base Salary (IBS) is prohibited by OMB policy 2 CFR 220 (OMB Circular A-21) and 2 CFR 200 (Uniform Guidance). NSF's management decision is to disallow the entire amount of questioned costs totaling \$342,020.

UM is hereby directed to immediately stop charging all active NSF awards for salaries in excess of the proportionate share of IBS for the periods charged.

- **Finding 2: Inappropriately Allocated Expenses**

NSF sustains the finding. Based on UM's concurrence, NSF's management decision is to disallow the questioned costs of \$18,932. NSF accepts UM's stated corrective actions as responsive to the compliance and internal control recommendations related to the audit finding.

- **Finding 3: Unallowable Expenses**

NSF sustains the finding. Based on UM's concurrence, NSF's management decision to disallow the questioned costs of \$6,827. NSF accepts UM's stated corrective actions as responsive to the compliance and internal control recommendations related to the audit finding.

Based on the above, the total disallowed amount is \$367,779, of which UM has provided evidence of \$25,759 in repayment. **Repayment of the remaining \$342,020 must be made via www.pay.gov or check payable to the National Science Foundation.** Please reference OIG Audit Report No. 18-1-007. Any necessary adjustments to ACM\$ as a result 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, C-7000
Alexandria, VA 22314

Please be aware that the University of Montana'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 the remaining \$342,020 disallowed costs has been completed, the audit report will be fully closed out by NSF.

UM'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