



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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June 11, 2020

Heather C. Clark
Executive Director, OKED Operations
Arizona State University
Office of Research and Sponsored Projects Administration
660 S. Mill Avenue, Suite 312
Tempe, AZ 85281-3670

Reference: OIG Report No. 19-1-007

Dear Ms. Clark:

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 Arizona State University (ASU) during the period of January 1, 2014 through December 31, 2016.

The audit report questioned a total of \$1,178,488 in costs claimed under NSF awards and recommended that ASU 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 questioned costs in the amount of \$330,369 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Disallowed	Allowed
1	NSF Approval Not Obtained Before Transferring Significant Portions of Award to Other Organizations	\$890,982	\$75,000	\$815,982
2	Expenses Not Appropriately Allocated to NSF Awards	\$129,095	\$129,095	\$0
3	Inappropriate Allocation of Indirect Costs	\$56,720	\$55,681	\$1,039
4	Unsupported Expenses	\$41,553	\$10,455	\$31,098
5	Inappropriate Subaward Payment	\$32,582	\$32,582	\$0
6	Unallowable Expenses	\$22,418	\$22,418	\$0
7	Unreasonable Travel Expenses	\$5,138	\$5,138	\$0
	Total	\$1,178,488	\$330,369	\$848,119

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 ASU. The following provides the basis for the management decisions reached by NSF:

- **Finding 1: NSF Approval Not Obtained Before Transferring Significant Portions of Award to Other Organizations**
NSF sustains the finding and agrees with the questioned amount of \$890,982. However, based on determinations made by NSF during resolution, a negotiated settlement to repay \$75,000 was reached.
- **Finding 2: Expenses Not Appropriately Allocated to NSF Awards**
NSF sustains the finding. Based upon ASU's concurrence, it is NSF's management decision to disallow \$129,095.
- **Finding 3: Inappropriate Allocation of Indirect Costs**
NSF partially sustains this finding. Based upon ASU's concurrence, NSF disallowed \$55,681. NSF review determined that \$1,039 indirect costs applied to ASU employee expenses were allowable costs. It is NSF's management decision to disallow \$55,681 and to allow \$1,039.
- **Finding 4: Unsupported Expenses**
NSF sustains the finding and agrees with the costs questioned. Based upon ASU's concurrence, NSF disallowed \$10,455. However, during resolution ASU provided receipts and other documentation to support STEM scholarship expenses. Although NSF accepted the documentation and determined questioned costs of \$31,098 benefited NSF awards, NSF reminds ASU that all relevant, supporting documentation must be submitted to auditors during the audit process. Failure to do so wastes University and Federal resources and results in the inclusion of unnecessary audit findings in the final audit report. It is NSF's management decision to disallow \$10,455 and to allow \$31,098.
- **Finding 5: Inappropriate Subaward Payment**
NSF sustains the finding. Based upon ASU's concurrence, it is NSF's management decision to disallow \$32,582.
- **Finding 6: Unallowable Expenses**
NSF sustains the finding. Based upon ASU's concurrence, it is NSF's management decision to disallow \$22,418.
- **Finding 7: Unreasonable Travel Expenses**
NSF sustains the finding. Based upon ASU's concurrence, it is NSF's management decision to disallow \$5,138.
- **Finding 8: Inappropriate Application of Proposed Indirect Costs Rates**
NSF sustains the finding. ASU concurred with the finding and NSF accepts that the corrective actions taken will improve controls over indirect cost rates charged to NSF awards.
- **Finding 9: Non-Compliance with ASU's Policies**
NSF sustains the finding. ASU concurred with the finding and NSF accepts that the corrective actions taken will improve controls over compliance with ASU's policies.

NSF accepts ASU's stated corrective actions as responsive to the compliance and internal control recommendations related to the audit findings above. Therefore, all compliance and internal control recommendations are considered resolved and closed.

Based on the above the total disallowed amount is \$330,369. ASU has provided NSF evidence of \$48,119 in repayment. **Repayment of the remaining \$282,250 must be made via www.pay.gov.** Please reference OIG Audit Report No. 19-1-007. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management.

Please be aware that ASU'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.

ASU'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