



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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April 7, 2022

Craig Merritt
Manager, Compliance Oversight & Reporting
University of Utah
Research Management & Compliance
201 Presidents Circle, Rm. 416
Salt Lake City, UT 84112

Reference: OIG Report No. 19-1-008

Dear Mr. Merritt:

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 Utah (Utah) during the period of July 1, 2013, to June 30, 2016.

The audit report questioned a total of \$42,157 in costs claimed under NSF awards and recommended that Utah 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 \$15,417 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Description	Questioned	Disallowed	Allowed
1	Unsupported Stipend Costs	\$21,286	\$24	\$21,262
2	Integrative Graduate Education and Research (IGERT) Award	\$13,147	\$13,147	\$0
3	Unallocable and/or Unreasonable Expenses Near Award Expiration	\$7,724	\$2,246	\$5,478
Total		\$42,157	\$15,417	\$26,740

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

- **Finding 1: Unsupported Stipend Costs**

NSF does not sustain the finding. NSF does not agree that participant support costs (PSC), “budgeted as stipend payments restricts that funding to be paid as stipends only.” Rebudgeting of funds awarded for participants **within** the participant support budget category is a longstanding, allowable practice under NSF awards. However, NSF award terms and conditions were revised with

the implementation of 2 CFR 200 and now requires prior approval for any additional categories of participant support costs, such as “incentives, gifts, souvenirs, t-shirts and/or memorabilia.” NSF determined that the only unallowable rebudgeting was \$24 for a rush payment fee. It is NSF’s management decision to disallow \$24 and to allow \$21,262.

- **Finding 2: Integrative Graduate Education and Research (IGERT) Award**
NSF sustains the finding. Based upon Utah’s concurrence, it is NSF’s management decision to disallow \$13,147.
- **Finding 3: Unallocable and/or Unreasonable Expenses Near Award Expiration**
NSF partially sustains the finding. Based upon Utah’s concurrence, NSF disallowed \$2,246. NSF determined that the remaining \$5,478 was reasonable and allocable to the respective awards. It is NSF’s management decision to disallow \$2,246 and to allow \$5,478.
- **Finding 4: General Misclassifications**
NSF sustains the finding. Utah concurred with the finding and NSF accepts that the corrective actions taken should improve controls over compliance with expense classifications.
- **Finding 5: Payroll Charges Misclassified to Participant Support Costs Project**
NSF sustains the finding. Utah concurred with the finding and NSF accepts that the corrective actions taken should improve controls over compliance with classification of participant support costs.
- **Finding 6: Petty Cash Policy Violation -Internal Control**
NSF sustains the finding. Utah concurred with the finding and NSF accepts that the corrective actions taken should improve controls over compliance with petty cash payments.
- **Finding 7: Incorrect Negotiated Indirect Cost Rate Agreement (NICRA) Rate Usage –Internal Control**

NSF does not sustain the finding. NSF’s policy requires grantees to budget indirect costs using current indirect cost rates in accordance with PAPPG Chapter II, Section C.2.g(viii), Indirect Costs. However, during the award performance period, grantees may provide voluntary uncommitted cost sharing at any time consistent with OMB’s clarification Q-132, 2 CFR Frequently Asked Questions dated 5/3/2021 and PAPPG Chapter II, Section C.2.g(xii), Cost Sharing. Also see NSF’s Cost Sharing Policy at <https://www.nsf.gov/bfa/dias/policy/>. Accordingly, NSF does not agree with the recommendation that Utah needs to strengthen administrative and management controls and processes over establishing indirect cost rates for Federal awards to ensure that it applies costs at the rates in effect at the time of the initial award.

However, NSF does agree that grantees must have internal controls in place to ensure that the rates applied do not exceed the rates in effect at the time of the award, thereby avoiding overcharges of indirect costs to NSF awards. NSF takes no exception to Utah’s policies and procedures on application of indirect cost rates.

NSF accepts Utah'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 \$15,417. **Repayment of \$15,417 must be made via www.pay.gov.** Please reference OIG Audit Report No. 19-1-008. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management.

Please be aware that Utah'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.

Utah's cooperation and patience 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 703-292-4827.

Sincerely,

Rochelle Ray

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