



**NATIONAL SCIENCE FOUNDATION**  
**Division of Institution & Award Support**

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January 3, 2023

Christine Hamble  
 Associate Vice President  
 Ohio State University  
 Office of Sponsored Programs  
 Research Administration Building  
 1960 Kenny Rd., 2<sup>nd</sup> Floor  
 Columbus, OH 43210

Reference: OIG Report No. 19-1-016

Dear Christine Hamble:

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 Ohio State University (OSU) during the period of February 1, 2015 through January 31, 2019.

The audit report identified a total of \$502,587 in questioned costs claimed on NSF awards and recommended that OSU strengthen its administrative and management controls over the areas in which findings and questioned costs were identified. NSF sustains \$463,523 of the questioned costs identified; however, based on documentation reviewed and accepted during resolution, NSF will require repayment of only \$386,368. The table below summarizes the allowed and disallowed costs by finding number:

<b>Finding</b>	<b>Audit Report Description</b>	<b>Questioned</b>	<b>Sustained</b>	<b>Allowed</b>	<b>Disallowed</b>
1	Expenses Not Appropriately Allocated to NSF Awards	\$304,977	\$267,233	\$37,744	\$267,233
2	NSF Approval Not Obtained Before Transferring Significant Parts of Award Research to Another Organization	\$76,822	\$76,822	\$76,822	\$0
3	Unsupported Expenses	\$67,006	\$67,006	\$0	\$67,006
4	Unreasonable Materials and Supplies	\$46,178	\$44,858	\$1,653	\$44,525
5	Inappropriate Application of Indirect Costs	\$7,604	\$7,604	\$0	\$7,604
<b>TOTALS</b>		<b>\$502,587</b>	<b>\$463,523</b>	<b>\$116,219</b>	<b>\$386,368</b>

NSF's audit issuance letter dated August 9, 2019, communicated concern about the OSU decision not to provide a full response to the draft audit report because NSF relies on detailed responses to audit findings, questioned costs, and recommendations to understand auditees' bases for disagreement. In the teleconference on August 16, 2019, NSF informed OSU that it would rely heavily on the University documentation provided to Cotton & Company to develop NSF management decisions. NSF also explained that it would not engage OSU in discussions regarding disagreements with the auditors'

conclusions or accept additional supporting documentation. As a result, NSF management decisions are based upon detailed reviews of the audit workpapers, applicable federal and NSF requirements, and information and documentation maintained in NSF systems. The following provides the bases for the management decisions reached by NSF:

- **Finding 1: Expenses Not Appropriately Allocated to NSF Awards**

NSF partially sustains the finding. Based on the documentation reviewed, NSF determined that the only \$37,744 of the questioned costs were supported as allowable costs. NSF determined that the expenses for the remaining questioned \$267,233 did not benefit the awards during the award periods and/or allocation of the costs were not supported. **NSF's management decision is to sustain and disallow \$267,233 and to allow \$37,744.**

Corrective Action: NSF requires that OSU provide a copy of the Journal Entry for \$12,759 as evidence of repayment and to repay the remaining disallowed costs of \$254,474.

**Final action will be complete upon evidence of repayment of the disallowed costs of \$267,233 and a determination by NSF that corrective actions taken are responsive to the report recommendations.**

- **Finding 2: NSF Approval Not Obtained Before Transferring Significant Parts of Award Research to Another Organization**

NSF sustains the finding because OSU failed to obtain prior NSF approval before entering into the questioned subaward. However, since NSF retroactively approved the subaward while the award was open, NSF has determined to allow the questioned costs. **NSF's management decision is to allow \$76,822.**

**Final action will be complete upon a determination by NSF that corrective actions taken are responsive to the report recommendations.**

- **Finding 3: Unsupported Expenses**

NSF sustains the finding. Based on the documentation reviewed, NSF determined that none of the questioned costs were supported as allowable costs because: (1) costs were charged based upon available funding rather than benefit; (2) no effort report to substantiate completed work; (3) no itemized receipts; and, (4) no evidence that supplemental sabbatical salary benefited the NSF award. **NSF's management decision is to sustain and disallow \$67,006.**

Corrective Action: NSF requires that OSU repay the disallowed costs of \$67,006.

**Final action will be complete upon evidence of repayment of the disallowed costs of \$67,006 and a determination by NSF that corrective actions taken are responsive to the report recommendations.**

- **Finding 4: Unreasonable Materials and Supplies**

NSF partially sustains the finding. NSF determined that two questioned travel transactions were not adequately supported; however, NSF judgmentally determined to allow a portion of the questioned costs which resulted in a difference between the total sustained amount and the total disallowed amount under this finding. NSF determined that the remaining questioned costs were not supported as allowable costs because: (1) no approval for supplemental compensation in accordance with OSU's institutional policy; (2) non-compliance with Fly America Act; (3) rental car

primarily for personal rather than business purposes; (4) unsupported excess travel expenses; (5) no approval to rebudget participant support costs; (6) no prior approval for additional categories of participant support costs; (7) no approval for pre-award costs incurred prior to 90 calendar days before the award; (8) promotional items/memorabilia/gifts; or, (9) based on OSU's concurrence.

**NSF's management decision is to sustain \$44,858, disallow and require repayment of \$44,525 and to allow \$1,653.**

Corrective Action: **OSU has provided NSF evidence of \$14,178 in repayment.** NSF requires that OSU provide a copy of the Journal Entry for \$97 as evidence of repayment and to repay the remaining disallowed costs of \$30,250.

**Final action will be complete upon evidence of repayment of the disallowed costs of \$44,525 and a determination by NSF that corrective actions taken are responsive to the report recommendations.**

- **Finding 5: Inappropriate Application of Indirect Costs**

NSF sustains the finding. Based on OSU's concurrence, NSF's management decision to sustain and disallow \$7,604 due to the incorrect application of the indirect rate to an item that should have been excluded from the MTDC cost allocation base. **NSF's management decision is to sustain and disallow \$7,604.**

Corrective Action: OSU has provided NSF evidence of \$7,604 in repayment

**Final action will be complete upon the determination by NSF that corrective actions taken are responsive to the report recommendations**

- **Finding 6: Insufficient Human Subject Payment Policies**

NSF sustains the finding. **Final action will be complete upon a determination by NSF that corrective actions taken are responsive to the compliance and internal control recommendation.**

- **Finding 7: Incorrect Application of Proposed Indirect Cost Rates**

**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 to direct OSU to strengthen the administrative and management controls and processes over establishing indirect cost rates for NSF awards to ensure that it applies the rates in effect as of the date of the NSF grant.

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. **Final action will be complete upon a determination by NSF that OSU has implemented adequate internal controls to ensure that awards are not charged indirect costs in excess of the rate(s) in effect at the time of the award.**

- **Finding 8: Noncompliance with OSU Policies**  
NSF sustains the finding. **Final action will be complete upon a determination by NSF that corrective actions taken are responsive to the compliance and internal control recommendation.**
- **Finding 9: Fringe Benefits Inappropriately Applied to Cost Transfers**  
NSF sustains the finding. No costs were questioned because the applied rates were lower than the appropriate rates. **Final action will be complete upon a determination by NSF that corrective actions taken are responsive to the compliance and internal control recommendation.**
- **Finding 10: Hours Inconsistent with Salary Agreement**  
NSF sustains the finding. **Final action will be complete upon a determination by NSF that corrective actions taken are responsive to the compliance and internal control recommendation.**

**Compliance and Internal Control Recommendations:** The compliance and internal control recommendations under Findings 1 through 10 have not been adequately addressed. Corrective actions and updated policies in response to the recommendations are required within 90 days from the date of this letter. **Final action will be considered complete upon NSF's determination that corrective actions taken are responsive to the report recommendations.**

Based on the above, the total disallowed amount is \$386,368. OSU has provided NSF evidence of \$21,782 in repayments. OSU indicated that it has repaid \$12,856 by JEs; however, NSF does not have evidence of these repayments. **OSU must provide copies of the \$12,856 JEs with evidence that the JEs were entered into OSU's accounting system while the awards were financially open. Repayment of the remaining \$351,730 must be made via [www.pay.gov](http://www.pay.gov).** Please reference OIG Audit Report No. 19-1-016. Any necessary adjustments to ACM\$ as a result of the repayment will be made by the NSF Division of Financial Management (DFM). **Repayment of disallowed costs must be received no later than 90 days from the date of this letter, or April 3, 2023. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.**

Please be aware that OSU'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](https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg). **An appeal must be filed within 30 days from the date of this letter, or February 2, 2023.**

NSF considers all audit report findings and questioned costs resolved. Upon verification that repayment of all disallowed costs has been completed and that corrective actions taken are responsive to the compliance and internal control recommendations, the audit report will be fully closed out by NSF.

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, Senior Cost Analyst  
Resolution and Advanced Monitoring Branch  
Division of Institution and Award Support