



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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December 8, 2022

Alicia M. Reed
 Director, Research Administration
 University of Kansas Center for Research, Inc.
 2385 Irving Hill Road
 Lawrence, KS 66045
 Reference: OIG Report No. 21-1-001

Dear Alicia M. Reed:

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 Kansas Center for Research (KUCR) during the period of October 1, 2015, through September 30, 2018.

The audit report identified a total of \$1,550,054 in questioned costs claimed on NSF awards and recommended that KUCR strengthen its administrative and management controls over the areas in which findings and questioned costs were identified. NSF sustains \$1,550,054 of the questioned costs identified. The total disallowed amount is \$1,550,054, of which KUCR has provided evidence of \$15,854 in repayment, and removal of \$625,532, and repayment/adjustment of \$55,464 of at-risk cost share before the close of the award on August 31, 2023. Once NSF receives verification that repayment of the remaining \$853,204 of disallowed costs has been completed and the response for findings 3 and 4 (**due within 30 days of the date of this letter**) are responsive to the compliance and internal control recommendation in the audit report, NSF will consider final action complete and fully close OIG Audit Report 20-1-001.

The table below summarizes the disallowed costs by finding number:

Finding	Description	Questioned	Sustained	Allowed	Disallowed
1	Indirect Costs Claimed from Subrecipients	\$625,532	\$625,532	\$0	\$625,532
2	Unallowable Indirect Cost	\$15,854	\$15,854	\$0	\$15,854
3	Unsupported Expenses	\$569,477	\$569,477	\$0	\$569,477
4	Unsupported Cost Share Expenses	\$328,494	\$328,494	\$0	\$328,494
5	Unallowable Expenses	\$10,697	\$10,697	\$0	\$10,697
Total		\$1,550,054	\$1,550,054	\$0	\$1,550,054

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

Finding 1: Indirect Costs Claimed from Subrecipients

NSF sustains the finding. NSF sustains the questioned cost. NSF's management decision is to disallow questioned costs of \$625,532.

Corrective action: KUCR removed \$625,532 from subawards and reallocated to the award's main KUCR project on each award in alignment with the federally negotiated indirect cost rates.

Compliance and Internal Control Recommendation: NSF has determined that the corrective action taken by KUCR, to end the practice of retaining a portion of allowable subrecipient indirect costs charged to the award, is responsive to the compliance and internal control recommendation in the audit report.

NSF considers Finding 1 resolved and closed.

Finding 2: Unallowable Indirect Cost

NSF sustains the finding. NSF sustains the questioned cost. NSF's management decision is to disallow questioned costs of \$15,854.

Corrective Action: KUCR repaid questioned costs of \$15,854. Additionally, KUCR has corrected the system mapping issue that caused this finding.

Compliance and Internal Control Recommendation: None.

NSF considers Finding 2 resolved and closed.

Finding 3: Unsupported Expenses

NSF sustains the finding. NSF sustains the questioned costs. KUCR charged \$569,477 of subaward expenses to the NSF award but was unable to provide documentation in support of actual costs. NSF's management decision is to disallow questioned costs of \$569,477.

Corrective Action: NSF requires KUCR to repay questioned costs of \$569,477.

Compliance and Internal Control Recommendation: Two compliance and internal control recommendations have not been adequately addressed:

Recommendation 3: KUCR has taken action to shift reporting of subrecipient monitoring staff directly to the Assistant Vice Chancellor. KUCR is improving transparency around subrecipient risk status and is developing resources guide for non-IHE subrecipients.

Recommendation 4: In addition to the record retention question previously added to the subrecipient intake form, KUCR is working on a process to alert subrecipients to award-specific record retentions dates and requirements. KUCR anticipates completion in early 2023.

Final action for Finding 3 will be complete upon repayment of questioned costs of \$569,477 and the determination by NSF that corrective actions taken are responsive to the report recommendations.

Finding 4: Unsupported Cost Share Expenses

NSF sustains the finding. NSF sustains the questioned costs of \$328,494. NSF's management decision is to disallow questioned costs of \$328,494.

Corrective Action: KUCR agreed to remove and replace \$55,464 in questioned cost share related to the award that is currently active. The remaining questioned cost share of \$273,030 is related to a closed award and is disallowed. NSF's management decision is to disallow questioned costs of \$328,494.

Compliance and Internal Control Recommendation: None

Final action for Finding 4 will be complete upon repayment of the disallowed questioned costs of \$273,030. KUCR has until the close of the open award to meet its disallowed cost share of \$55,464.

Finding 5: Unallowable Expenses

NSF sustains the finding. NSF sustains the questioned costs of \$10,697. NSF's management decision is to disallow \$10,697.

Corrective Action: NSF requires repayment of \$10,697.

Compliance and Internal Control Recommendation: NSF has determined that the corrective action taken by KUCR, to strengthen administrative and management controls and processes related to unallowable expenditures and use of materials and supplies under participant support costs is responsive to the compliance and internal control recommendation in the audit report.

Final action for Finding 5 will be complete upon repayment of the disallowed questioned costs of \$10,697.

Based on the above, the total disallowed amount is \$1,550,054. KUCR has provided evidence of repayment of disallowed questioned costs of \$696,850. **Repayment of the remaining \$853,204 of disallowed questioned costs must be made via www.pay.gov.** Please reference OIG Audit Report No. 21-1-001 in the comment section. Any necessary adjustments to ACM\$ as a result of the repayment will be made by the NSF Division of Financial Management.

Please be aware that KUCR'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.

An appeal must be filed within 30 days from the date of this letter, or December 8, 2022, and repayment of disallowed costs must be received no later than 90 days from the date of this letter. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.

Recommendation 3 and 4 of the compliance and internal control recommendations under Findings 3 were not adequately addressed. **KUCR has provided NSF with a plan to resolve these recommendations; NSF has agreed to the resolution plan and timeline.**

Upon verification that repayment of the remaining \$853,204 of disallowed costs has been completed and that corrective actions are responsive to the compliance and internal control recommendation in the audit report, OIG Audit Report 21-1-001 will be fully closed out by NSF.

The University's timely responses and cooperation with the NSF audit resolution process are greatly appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please feel free to contact Liz DeHart at edehart@nsf.gov or Charlotte Grant-Cobb at cgrantco@nsf.gov.

Sincerely,

Charlotte D. Grant-Cobb

Charlotte D. Grant-Cobb, Lead Analyst
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