



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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April 12, 2022

Ms. Sheila Routh
 Sr. Director, Office of Grants Management
 Office of the Vice President for Research
 The Research Foundation for the State University of New York
 Stony Brook, New York 11794-3800

Reference: OIG Report No. 21-1-010

Dear Ms. Routh,

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the State University of New York at Stony Brook University (SBU) for the period March 1, 2020 to September 30, 2020.

While the audit report did not identify any exceptions related to SBU’s use of the COVID-19 flexibilities, the report questioned \$31,341 in costs claimed under NSF awards and recommended that SBU strengthen its administrative and management controls for the areas in which findings were identified. Based on SBU’s agreement with the findings and questioned costs identified in the audit report, NSF’s management decision is to disallow all questioned costs in the amount of \$31,341. The table below summarizes the disallowed costs by funding number:

| Finding | Description | Questioned | Allowed | Disallowed |
|----------------|---|-------------------|----------------|-------------------|
| 1 | Inappropriate Award Cash Management Service (ACM\$) Drawdowns | \$20,530 | \$0 | \$20,530 |
| 2 | Travel Advance Not Promptly Returned | \$6,913 | \$0 | \$6,913 |
| 3 | Inappropriately Allocated Expenses | \$3,898 | \$0 | \$3,898 |
| 4 | Indirect Costs Inappropriately Applied Using Blended Rates | \$0 | \$0 | \$0 |
| 5 | Incorrect Application of Proposed Indirect Costs | \$0 | \$0 | \$0 |
| Total: | | \$31,341 | \$0 | \$31,341 |

SBU has provided NSF evidence of \$31,341 in repayment.

Please be aware that SBU'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.

The compliance and internal control recommendations under Findings 4 and 5 have not been adequately addressed:

- **Finding 4: Indirect Costs Inappropriately Applied Using Blended Rates:**
NSF sustains the finding and SBU concurs with the recommendation. Final action will be complete upon a determination by NSF that SBU's updated budgeting and indirect cost application policies and procedures are responsive to the compliance and internal control recommendation.
- **Finding 5: Incorrect Application of Proposed Indirect Costs:**
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 SBU to revise its practices when setting up new accounts to apply indirect costs per the Negotiated Indirect Cost Rate Agreement in effect as of the date of the NSF grant award, rather than the rates included within the original grant proposal.

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 SBU 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.

NSF considers all audit report findings and questioned costs resolved. **Corrective actions and updated policies in response to the recommendations under Findings 4 and 5 are required within 30 days from the date of this letter.** Upon verification that corrective actions taken are responsive to the compliance and internal control recommendations and a determination by NSF that final action is considered complete, the audit report will be fully closed out by NSF.

SBU'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

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