



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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December 6, 2023

Seifu Hailemichael
Post Award Research Administrator
Division of Research and Sponsored Programs
North Carolina Central University
1801 Fayetteville Street
Durham, NC 27707

Reference: OIG Report No. 22-1-012

Dear Seifu Hailemichael:

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (NSF OIG) audit report on costs incurred under NSF awards by North Carolina Central University (NCCU) dated August 12, 2022.

The audit report questioned \$60,320 in costs claimed under NSF awards and recommended that NCCU 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 \$60,320 will be sustained and disallowed. The table below summarizes the disallowed costs by finding number:

Finding	Audit Report Description	Questioned	Sustained	Allowed	Disallowed
1	Unallowable Expenses	\$24,029	\$24,029	\$ 0	\$24,029
2	Inappropriately Allocated Expenses	\$22,748	\$22,748	\$ 0	\$22,748
3	Inadequately supported expenses	\$13,543	\$13,543	\$ 0	\$13,543
4	Non-compliance with NCCU Policies	\$ 0	\$ 0	\$ 0	\$ 0
5	Non-compliance with Federal Requirements for Pass-through Entities	\$ 0	\$ 0	\$ 0	\$ 0
6	Insufficient Controls Replated to the Application of Indirect Cost Rates	\$ 0	\$ 0	\$ 0	\$ 0
	Totals	\$60,320	\$60,320	\$ 0	\$60,320

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 NCCU. The attached Schedule of Sustained, Allowed and Disallowed Costs and the summary below provides the bases for the management decisions reached by NSF:

Finding 1: Unallowable Expenses

NSF sustains the finding. Based on NCCU's concurrence, NSF has determined to sustain and disallow the \$24,029 that NCCU agreed to repay.

Corrective Action: NSF requires NCCU to repay the disallowed questioned costs of \$24,029.

Compliance and Internal Control Recommendation: NSF has determined that corrective action taken by NCCU are responsive to the recommendations to enhance internal controls over participant support cost funds, including prior approval by NSF for re-budgeting; strengthen roles, responsibilities and procedures for review and approval of budget transfers; strengthen controls related to monitoring of MTDC exclusions by ensuring that SOPS are updated and readily available during periods of employee turnover; accounting and billing practices have been updated.

Final action will be complete upon repayment of \$24,029.

Finding 2: Inappropriately Allocated Expenses

NSF sustains the finding. Based on NCCU's concurrence NSF's management decision is to sustain and disallow questioned costs of \$22,748.

Corrective Action: NSF requires NCCU to repay the disallowed questioned costs of \$22,748.

Compliance and Internal Control Recommendation: NSF has determined that corrective action taken by NCCU are responsive to the recommendations to enhance internal controls for allocating expenses and for supporting the allocation of expenses charged to sponsored projects.

Final action will be complete upon repayment of \$22,748.

Finding 3: Inadequately Supported Expenses

NSF sustains the finding. Based on NCCU's concurrence NSF's management decision is to sustain and disallow questioned costs of \$13,543.

Corrective Acton: NSF requires NCCU to repay the disallowed questioned costs of \$13,543.

Compliance and Internal Control Recommendation: NSF has determined that corrective action taken by NCCU are responsive to the recommendation to ensure that is creates and maintains all documentation to support the allowability of expenses charged to NSF awards; enhance internal controls for tracking and distributing gift cards charged to NSF awards; strengthen internal controls to ensure all NSF stipend payments are justified, especially in instances when amounts deviate from award budgets; enhance time and effort procedures to ensure documentation for temporary employees is consistent with requirements for full-time employees.

Final action will be complete upon repayment of \$13,543.

Finding 4: Non-Compliance with NCCU Policies

NSF sustains the finding. No costs were questioned under this finding and two recommendations were made for NCCU to comply with its equipment inventory policy.

Compliance and Internal Control Recommendation: NSF has determined that corrective actions taken by NCCU are responsive to the recommendation to enhance its physical inventory procedures and periodic reviews of expenses over \$5,000 and to ensure all capitalizable expenses are accurately accounted for, tracked, and inventoried.

NSF considers Finding 4 resolved and closed.

Finding 5: Non-Compliance with Federal Requirements for Pass-Through Entities

NSF sustains the finding. No costs were questioned under this finding and one recommendation was made for NCCU to comply with federal requirement for pass-through entities.

Compliance and Internal Control Recommendation: NSF has determined that corrective actions taken by NCCU are responsive to the recommendation to enhance its subaward monitoring procedures to ensure that risk assessments are performed for all active NSF subawards and to verify that each subaward is being appropriately monitored based on the results of the risk assessment.

NSF considers Finding 5 resolved and closed.

Finding 6: Insufficient Controls Related to the Application of Indirect Cost Rates

NSF sustains the finding. No costs were questioned under this finding and two recommendations were made for NCCU to consistently apply indirect costs using the NICRA rate(s) in effect as of the NSF award date for it or its subawardees.

Compliance and Internal Control Recommendation: NSF has determined that corrective actions taken by NCCU are responsive to the compliance and internal control recommendations in the audit report.

NSF considers Finding 6 resolved and closed.

Based on the above, the total disallowed amount is \$60,320. **Repayment of \$60,320 must be made via www.pay.gov.** Please reference OIG Audit Report No. 22-1-012. 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 March 5, 2024 . Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.

Please be aware that NCCU'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 **January 5, 2024**.

NSF accepts NCCU's stated corrective actions as responsive to the compliance and internal control recommendation related to the audit finding and considers the audit report resolved and closed upon verification of repayment.

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 contact me at 703.292.7827.

Sincerely,

Charlotte D. Grant-Cobb

Charlotte D. Grant-Cobb
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Resolution and Advanced Monitoring Branch
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