

Performance Audit of Incurred Costs – Princeton University

REPORT PREPARED BY KEARNEY & COMPANY, P.C.

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

February 28, 2019
OIG 19-1-004





AT A GLANCE

Performance Audit of Incurred Costs – Princeton University

Report No. OIG 19-1-004

February 28, 2019

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Kearney & Company, P.C. (Kearney) to conduct a performance audit of incurred costs at Princeton University (Princeton) for the period November 1, 2013, to October 31, 2016. The auditors tested more than \$8.6 million of the more than \$170 million of costs claimed to NSF. The objective of the audit was to determine if costs claimed by Princeton on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

AUDIT RESULTS

The report highlights concerns about Princeton's compliance with certain Federal, NSF, and/or Princeton regulations and policies when allocating expenses to NSF awards. The auditors questioned \$436,021 of costs claimed by Princeton during the audit period. Specifically, the auditors found \$433,819 in unallocable and unreasonable expenses near award expiration and \$2,202 in unreasonable and unallowable travel costs. The auditors also identified \$173,558 of misclassified expenses and one compliance issue for which there were no questioned costs. Kearney is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in Kearney's audit report.

RECOMMENDATIONS

The auditors included four findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure Princeton strengthens administrative and management controls.

AUDITEE RESPONSE

Princeton agreed with \$13,063 of questioned costs and disagreed with the remaining \$422,958. Princeton did not contest the auditor's findings related to misclassified expenses and noncompliance. Princeton's response is attached in its entirety to the report as Appendix C.

FOR FURTHER INFORMATION, CONTACT US AT 703.292.7100 OR OIG@NSF.GOV.



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

MEMORANDUM

DATE: February 28, 2019

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements

FROM: Mark Bell [REDACTED]
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 19-1-004, Princeton University

This memo transmits the Kearney & Company, P.C. (Kearney) report for the audit of costs charged by Princeton University (Princeton) to its sponsored agreements with the National Science Foundation (NSF) during the period November 1, 2013, to October 31, 2016. The audit encompassed more than \$8.6 million of the more than \$170 million claimed to NSF during the period. The objective of the audit was to determine if costs claimed by Princeton on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

Please coordinate with our office during the 6-month resolution period, as specified by Office of Management and Budget Circular A-50, to develop a mutually agreeable resolution of the audit findings. The findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of Audit

Kearney is responsible for the attached auditors' report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Kearney's audit report. To fulfill our responsibilities, we:

- reviewed Kearney's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;

- coordinated periodic meetings with Kearney, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by Kearney; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Billy McCain at 703.292.7100 or oig@nsf.gov.

Attachment

cc:

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Princeton University

**Performance Audit of Claimed Costs for
National Science Foundation Awards
For the Period November 1, 2013, through October 31, 2016**

**National Science Foundation
Office of Inspector General**

INDEPENDENT ACCOUNTANT’S PERFORMANCE AUDIT REPORT

Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) has conducted a performance audit of costs claimed by Princeton University (referred to as “Princeton” or “University” in this report) on National Science Foundation (NSF) awards made to the University for the period of November 1, 2013, through October 31, 2016. This performance audit was conducted under Blanket Purchase Agreement #D14PA00037, Order #D16PB00537.

The objective of the performance audit was to determine if costs claimed in the sample selected by Kearney were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions, as well as applicable Federal financial assistance requirements. Kearney conducted the performance audit by testing costs claimed by the University and reporting on only the samples selected.

Kearney performed testing over its selected judgmental sample, which consisted of a listing of an initial 250 transactions, based on our risk-based criteria and assessment of University costs claimed. These samples included, but were not limited to, transactions of unusual spending trends; inconsistencies; even dollar amounts; large dollar amounts; duplicate transactions; descriptions indicating potentially unallowable costs; frequency; and transactions near or after award expiration. Kearney reported the results and findings within the body of this performance audit report. The results of our findings were not projected over the entire award population tested in our audit period. Please see [Appendix A: Objectives, Scope, and Methodology of the Audit](#) of this report for more information regarding the scope and methodology of the audit.

Kearney determined that costs charged to NSF-sponsored agreements did not always comply with applicable Federal requirements. Specifically, we determined that actual claimed costs totaling \$436,021 were unallowable, unallocable, unreasonable, and/or not in conformity with NSF award terms and conditions and Federal requirements. Further, Kearney determined costs totaling \$173,558 were misclassified or related to publications that failed to properly acknowledge NSF’s support; these costs were not questioned. The [Audit Results](#) section of this report further describes the costs in question, the basis for our findings, and the recommended actions to be taken by the University.

Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), 2011 Revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Kearney assessed the risk and approach for the audit by conducting planning, data mining, and analytical procedures over the universe of data provided by the University. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions



based on our audit objectives. The purpose of this report is to communicate the results of Kearney's performance audit and our related findings and recommendations.

Thank you for providing us with the opportunity to assist NSF OIG and conduct the performance audit of the University. Kearney appreciates the cooperation provided by NSF's and Princeton's personnel during the audit.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Kearney & Company, P.C.
Alexandria, Virginia
February 20, 2019

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Abbreviations

| | |
|------------|--|
| AAG | Award and Administration Guide |
| ACMS | Award Cash Management Service |
| GAGAS | Generally Accepted Government Auditing Standards |
| GL | General Ledger |
| IPA | Independent Public Accountant |
| Kearney | Kearney & Company, P.C. |
| NCE | No-Cost Extension |
| OMB | Office of Management and Budget |
| PI | Principal Investigator |
| Princeton | Princeton University |
| University | Princeton University |

Background

The National Science Foundation (NSF) is an independent Federal agency whose mission is to “promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense....”¹ Through grant awards, cooperative agreements, and contracts, NSF enters into relationships with non-Federal organizations to fund research and education initiatives and to assist in supporting its internal financial, administrative, and programmatic operations.

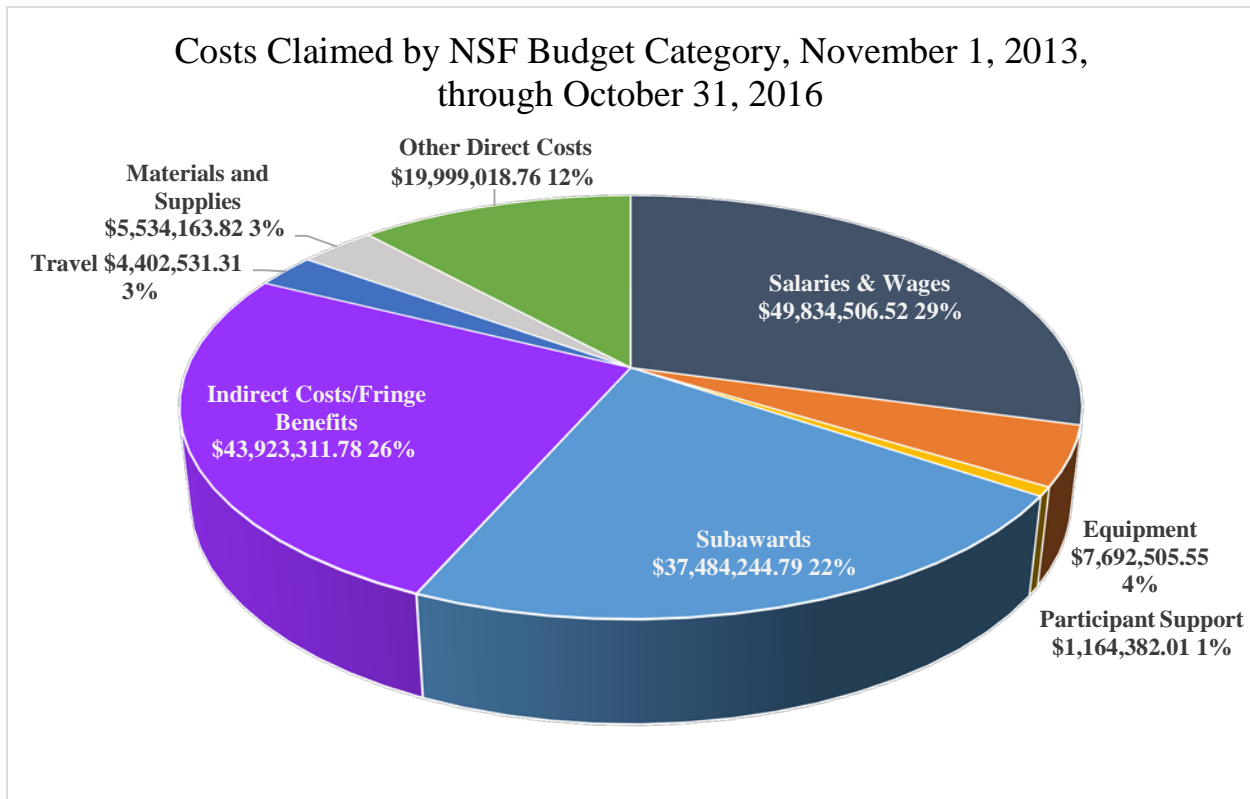
NSF has an Office of Inspector General (OIG) that provides independent oversight of the agency’s programs and operations. Part of NSF OIG’s mission is to conduct audits and investigations to prevent and detect fraud, waste, and abuse. In support of this mission, NSF OIG may conduct independent and objective audits, investigations, and other reviews to promote the economy, efficiency, and effectiveness of NSF programs and operations, as well as to safeguard their integrity. NSF OIG may also hire an independent public accountant (IPA) to provide these audit services.

NSF OIG engaged Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) to conduct a performance audit of costs incurred by Princeton University (referred to as “Princeton” or “University” in this report). The audit objective was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal financial assistance requirements. Additional information on the Objectives, Scope, and Methodology is included in [Appendix A: Objectives, Scope, and Methodology of the Audit of this report](#). According to the University’s website, Princeton strives to “advance learning through scholarship, research, and teaching of unsurpassed quality, with an emphasis on undergraduate and doctoral education that is distinctive among the world’s great universities, and with a pervasive commitment to serve the nation and the world.”² As illustrated in **Figure 1**, Princeton claimed more than \$170 million in expenditures through the Award Cash Management Service (ACMS) across 606 NSF awards during our audit period of November 1, 2013, through October 31, 2016. **Figure 1** also shows costs claimed by budget category based on the accounting data provided by Princeton.

¹ Pub. L. No. 81-507

² <https://www.princeton.edu/strategicplan/files/PrincetonStrategicPlanFramework2016.pdf>

Figure 1. Costs Claimed by NSF Budget Category, November 1, 2013, through October 31, 2016



Source: Auditor summary of General Ledger (GL) of Princeton Costs Claimed from November 1, 2013, through October 31, 2016

Audit Results

As described in the [Appendix A: Objectives, Scope, and Methodology of the Audit](#) (i.e., Objective, Scope, and Methodology section) of this report, this performance audit included obtaining transaction-level data for all costs that Princeton claimed on NSF awards during the audit period. Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Kearney assessed the risk and approach for the audit by conducting planning, data mining, and analytical procedures over the universe of data provided by the University. Kearney judgmentally selected³ 250 transactions (i.e., 218 GL and 32 Payroll), totaling \$8,640,485, for testing. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ As sample items were judgmentally selected, the results of our findings were not projected over the entire award population tested in our audit period.

Princeton did not always comply with all Federal, NSF, and University regulations and policies when submitting claimed costs to NSF awards. Specific recommendations follow each finding that will facilitate improvements to ensure costs claimed are reasonable, allocable, and allowable in accordance with those regulations and policies. As a result, we questioned \$436,021 in costs claimed (i.e., both direct costs and indirect costs, if applicable) by Princeton during the audit period, as follows:

- \$433,819 of unallocable and/or unreasonable expenses near award expiration
- \$2,202 of unreasonable, unallowable travel costs

Further, we identified \$173,558 of expenses misclassified and one non-financial issue (i.e., publication-related finding) for which there were no questioned costs.

We provide a breakdown of the questioned/misclassified costs and non-financial issues by finding in [Appendix B](#): Schedule of Questioned Costs by Finding of this report.

Findings

Finding 1 – Unallocable and/or Unreasonable Expenses Near and After Award Expiration

Princeton charged NSF awards for purchases near the end of the award expiration date, and in some cases after the award expiration date. The costs identified below were not in accordance with the following:

- NSF Award and Administration Guide (AAG), Chapter X, Section A.2.c, *Post-End Date Costs*⁴
- Office of Management and Budget (OMB) Circular A-21, Appendix A, *Cost Principles for Educational Institutions*, Section C.3, “Reasonable costs”⁵
- OMB Circular A-21, Appendix A, Section C.4.a, “Allocable costs”⁶

Specifically, Princeton charged expenses deemed unallocable and/or unreasonable to seven NSF awards, totaling \$433,819. Expenses claimed near the award expiration had little or no time left for such items to be utilized in the actual conduct of the research. In some cases, expenses were not necessary to complete the NSF award objectives. Additional details are as follows:

- *June 2016 Charges against Expiring Award:* The Principal Investigator (PI) of NSF Award No. [REDACTED] originally purchased capital equipment (i.e., [REDACTED]) on October 16, 2012. Due to unfavorable conditions, the equipment failed, and Princeton ultimately received a refund on March 3, 2015. The PI received an initial No-Cost Extension (NCE), which extended the period of performance from August 31, 2014, to August 31, 2015, to complete the award objective and a second NCE, which extended the award end date from August 31, 2015, to August 31, 2016. The late refund, lack of vendor options, and NCEs caused the PI to redirect the refunded amount to alternative equipment. The NSF Program Officer approved the redirection of funds to alternative equipment on May 5, 2015.

The PI then purchased capital equipment (i.e., [REDACTED]) on March 28, 2016. The capital equipment transaction was received on June 8, 2016, recorded in the GL on June 13, 2016, and had an invoice date of June 3, 2016; however, the award expired on August 31, 2016. According to Princeton personnel, the [REDACTED] benefitted the overall

⁴ The 2011 NSF AAG, Chapter V, Section A.2.c, *Post-Expiration Costs*, states: “NSF funds may not be expended subsequent to the expiration date of the grant except to liquidate valid commitments that were made on or before the expiration date. (See AAG Chapter III.E.2.) For example, commitment of project funds is valid when specialized (research) equipment is ordered well in advance of the expiration date but where, due to unusual or unforeseen circumstances, delivery of such equipment is delayed beyond the expiration date. The costs of equipment ordered after the expiration date, however, may not be charged to the project.”

⁵ OMB Circular A-21, Appendix A, Section C.3, *Reasonable costs*, states: “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

⁶ OMB Circular A-21, Appendix A, Section C.4.a, *Allocable costs*, states: “A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.”

██████████ program and subsequent grants by supporting the construction of a facility for ██████████. Princeton personnel further explained that due to the unique nature and use of the equipment for the ██████████ program, equipment is received months after it is ordered. The University did not have ample time left for the ██████████ to be utilized in the actual conduct of the research. Further, the purchase of the ██████████ benefitted multiple awards; however, the entire purchase was allocated to NSF Award No. ██████████ (although there is a renewal award following NSF Award No. ██████████, it is not an infrastructure award, and therefore is a standalone project). Thus, the timing of the purchase indicates the equipment did not benefit Award No. ██████████, but rather other research/award(s) outside the scope of this award. Therefore, we questioned \$215,066 of costs associated with the capital equipment purchase.

The PI also purchased infrastructural items (i.e., ██████████ and a ██████████) on April 26, 2016. The infrastructural items were received on June 15, 2016, recorded in the GL on June 15, 2016, and had an invoice date of June 14, 2016; however, the award expired on August 31, 2016. According to Princeton personnel, the infrastructural items benefitted the overall ██████████ program and subsequent grants. The University did not have ample time remaining for the infrastructural items to be utilized in the actual conduct of the research. Further, the purchase of the infrastructural items benefitted multiple awards; however, the entire purchase was allocated to NSF Award No. ██████████ (although there is a renewal award following NSF Award No. ██████████, it is not an infrastructure award and therefore is a standalone project). Thus, the timing of the purchase indicates the purchase did not benefit Award No. ██████████, but rather other research/award(s) outside the scope of this award. Therefore, we questioned \$148,700 of costs associated with the infrastructural items purchase.

The entire amount of the capital equipment charged to Award No. ██████████ discussed above was questioned because Princeton did not provide adequate support of the equipment's relative benefit to the award. Princeton personnel communicated that the equipment was used on other projects that did not share in the cost. 2 CFR Part 220, Appendix A, Section C.4.a., states, "A cost is allocable to a particular cost objective [project or sponsored agreement]... if the goods or services involved are chargeable or assignable to such cost objective [project or sponsored agreement] in accordance with relative benefits received or other equitable relationship." Princeton did not properly allocate the cost of the equipment to the various projects it benefitted and instead charged the full amount to Award No. ██████████, which violates this cost principle.

- *April 2016 Charge against Expiring Award:* The principal investigator of NSF Award No. ██████████ purchased capital equipment (i.e., ██████████) on January 18, 2016. The capital equipment transaction was received on April 21, 2016, recorded in the GL on April 22, 2016, and had an invoice date of April 1, 2016; however, the award expired on May 31, 2016. According to Princeton personnel, the purchase of the ██████████ benefitted NSF Award No. ██████████, as well as a subsequent grant. The University did not have ample time left for the ██████████ to be utilized in the actual conduct of the

research. Although the entire purchase was allocated to NSF Award No. [REDACTED], the purchase of the [REDACTED] benefitted multiple other awards, and the timing of the purchase indicates the equipment purchase did not benefit Award No. [REDACTED], but rather other research/award(s) outside the scope of this award. Therefore, we questioned \$44,826 of costs associated with the capital equipment purchase.

- July 2014 Charge against Expiring Award:* The PI of NSF Award No. [REDACTED] purchased supplies and materials (i.e., [REDACTED]) on April 11, 2014. The supplies and materials transaction was received on July 23, 2014, recorded in the GL on July 24, 2014, and had an invoice date of June 27, 2014; however, the award expired on June 30, 2014 (after a no cost extension was granted extending the expiration from June 30, 2013). According to Princeton personnel, the purchase of the [REDACTED] was used for [REDACTED]. The University did not have ample time left for the [REDACTED] to be utilized in the actual conduct of the research. Thus, the timing of the purchase indicates the purchase did not benefit Award No. [REDACTED], but rather other research/award(s) outside the scope of this award. Therefore, we questioned \$16,366 of costs associated with the supplies and materials purchase.
- November 2015 Charge against Expiring Award:* The PI of NSF Award No. [REDACTED] purchased capital equipment (i.e., [REDACTED]) on March 31, 2015. The capital equipment transaction was received on November 9, 2015, recorded in the GL on November 18, 2015, and had an invoice date of October 8, 2015; however, the award expired on August 31, 2015. According to Princeton personnel, the purchase of the [REDACTED] would help Princeton set up a system in which it would be able to [REDACTED] in an efficient manner. Although Princeton personnel stated that the [REDACTED] would support the ongoing Materials Research Science and Engineering Centers research, the entire purchase was allocated to expired NSF Award No. [REDACTED]. The equipment purchase did not benefit the expired award, and, therefore, we questioned \$5,349 of costs associated with the capital equipment purchase. We further discussed the issue with Princeton personnel, who agreed the expense was improperly charged to the NSF award, and the University will credit this expense to NSF.

October 2014 Charge against Expiring Award: The PI of NSF Award No. [REDACTED] purchased supplies and materials (i.e., [REDACTED]) on September 19, 2014. The supplies and materials transaction was recorded in the GL on October 6, 2014, and had an invoice date of October 2, 2014; however, the award expired on September 30, 2014. According to Princeton personnel, the purchase of the [REDACTED] was used to enable Princeton to conduct experiments related to the award's objective. The entire purchase was allocated to the expired NSF award; however, the purchase did not benefit the expired award, and, therefore, we questioned \$1,766 of costs associated with the supplies and material purchase. We further discussed the issue with Princeton personnel, who agreed the expense was improperly charged to the NSF award, and the University will credit this expense to NSF.

- August 2015 Charge against Expiring Award:* The PI of NSF Award No. [REDACTED] purchased supplies and materials (i.e., laptop). The supplies and materials transaction was recorded in the GL on August 3, 2015, and had an invoice date of August 2, 2015; however, the award expired on September 30, 2015. According to Princeton personnel, the purchase of the laptop was needed to support the computational modeling efforts and experimental data analysis. The University did not have ample time left for the laptop to be utilized in the actual conduct of the research. Thus, the timing of the purchase indicates the laptop did not benefit Award No. [REDACTED], but rather other research/award(s) outside the scope of this award. Therefore, we questioned \$1,746 of costs associated with the supplies and materials purchase. We further discussed the issue with Princeton personnel, who agreed the expense was improperly charged to the NSF award, and the University will credit this expense to NSF.

Princeton did not properly plan the purchase of items or equipment within the allotted period awarded to be operational for regular research. Further, Princeton did not have sufficient policies and procedures in place to ensure that funds were not expended near the award expiration date. As a result, Kearney questioned \$433,819 of expenses as follows:

Table 1. Finding 1 – Unallocable and/or Unreasonable Expenses Near Award Expiration

| Description | NSF Award No. | Questioned Costs |
|--|---------------|-------------------|
| Unallocable and/or Unreasonable Expenses Near Award Expiration | [REDACTED] | \$ 5,349 |
| | | 16,366 |
| | | 1,766 |
| | | 1,746 |
| | | 44,826 |
| | | 363,766 |
| Total Questioned Costs | | \$ 433,819 |

Source: Auditor summary of questioned costs claimed

Recommendations: We recommend that NSF’s Director of the Division of Institution and Award Support:

- Resolve the \$433,819 in questioned costs and direct Princeton to repay or otherwise remove the sustained questioned costs from its NSF awards.
- Direct Princeton to ensure purchases are made timely within the award period of performance to allow the purchases to be fully utilized in support of the award.

Princeton’s Response: Princeton University concurs with \$11,063 (Award Nos. [REDACTED], [REDACTED], and [REDACTED]) of the \$433,819 of the questioned costs. The University believes the remaining \$422,756 (Award Nos. [REDACTED], [REDACTED], and [REDACTED]) of questioned costs are reasonable, allowable, and allocable under OMB Circular A-21, the Code of Federal Regulations (2 CFR Part 220), NSF policies, and the terms and conditions of the grants issued.

Specifically, for Award No. [REDACTED], the University disagreed that:

- There was not ample time remaining for the equipment items to be utilized in the actual conduct of the research;
- The equipment was used on other projects that did not share in the cost, specifically stating that the equipment did not benefit any award outside of [REDACTED]; and
- Princeton did not properly plan for these equipment purchases.

The University maintains that it consistently followed all of NSF's policies related to equipment purchases and allocability requirements and noted that the Program Officer provided approval for the equipment purchase and therefore believes the expenditure to be allocable to the award.

Specifically, for Award No. [REDACTED], the University disagreed with Kearney's assertion that there was not ample time for the [REDACTED] to benefit the research on NSF Award No. [REDACTED], as it was prudent and reasonable to order a back-up [REDACTED]. Further, the University notes a renewal award benefitted from the equipment purchase.

See **Appendix C** for Princeton's complete response, which includes further detail and explanation.

Auditor's Additional Comments: Our position regarding this finding remains the same.

Specifically, for Award No. [REDACTED], the supporting documentation provided stated, "The procurement of the [REDACTED] specifically benefitted award NSF [REDACTED] as well as the overall [REDACTED] program and subsequent grants (NSF [REDACTED]) by supporting the construction of a facility for [REDACTED]." Kearney noted that NSF Award No. [REDACTED] was not a renewal award for NSF Award No. [REDACTED]; however, it benefitted from these purchases. Therefore, the report finding and recommendation remain as stated.

Additionally, for Award No. [REDACTED], the supporting documentation (i.e., Proposal for NSF Award No. [REDACTED]) did not acknowledge NSF Award No. [REDACTED] as a renewal; however, it benefitted from this purchase. Further, a replacement item could have been ordered well in advance of the award end date, thus providing adequate time for Award [REDACTED] to have received benefit. Therefore, the report finding and recommendation remain as stated.

Finding 2 – Unreasonable/Unallowable Travel Costs

Princeton charged \$2,202 of unreasonable/unallowable travel expenses⁷ to three NSF awards during the sampled period. The costs identified below were not in accordance with the following:

- *NSF Proposal and Award Policies and Procedures Guide (PAPPG), Part II – Award and Administration Guide, Chapter V, Section 8.a*⁸
- OMB Circular A-21, Appendix A, *Cost Principles for Educational Institutions, Section C.3, “Reasonable costs”*⁹
- Princeton Travel Policy, Part IV, *Policy, Section 3.1, “Upgrades.”*¹⁰

Upgraded Business Class Airfare: Princeton charged NSF for an upgrade to business class airfare that was not allowable in accordance with Federal or University travel policies:

- *July 2015 Upgraded Business Class Airfare Charge:* The PI of NSF Award No. [REDACTED] upgraded an economy class airfare ticket to a business class ticket to attend a conference. Thus, the purchase was in violation of Federal cost principles as well as Princeton’s Travel Policy; therefore, we questioned \$945 of costs (airfare upgrade cost) associated with the travel expense.
- *March 2015 Upgraded Business Class Airfare Charge:* The PI of NSF Award No. [REDACTED] upgraded an economy class airfare ticket to a business class ticket to attend a conference. Thus, the purchase was in violation of Federal cost principles as well as Princeton’s Travel Policy; therefore, we questioned \$693 of costs (airfare upgrade cost) associated with the travel expense.

Participant Support Travel for Princeton Employees: In 2014, two Princeton employees of NSF Award No. [REDACTED] were included as participants within the supporting documentation. However, based on the NSF PAPPG, participant support funds are for the use of non-employees and should not be used for University employees. Therefore, we questioned \$564 of costs associated with the travel expense.

Princeton employees did not receive adequate training of the policies and procedures to ensure that travel expenses were appropriately reviewed and approved to verify that claimed costs complied with all relevant University and Federal policies before the travel costs were charged to NSF. As a result, Princeton inappropriately charged unreasonable/unallowable travel expenses to NSF awards, and we questioned \$2,202 of expenses as follows:

⁷ Expenses include both direct costs and indirect costs, if applicable.

⁸ The 2014 *NSF PAPPG, Part II – Award and Administration Guide, Chapter V, Section 8.a* defines participant support costs as: “... direct costs for items such as stipends or subsistence, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia or training projects.... Generally the participants supported under an NSF award are not employees of the awardee organization.”

⁹ See OMB Circular A-21, Appendix A, Section C.3, *Reasonable costs* above.

¹⁰ Princeton Travel Policy, Part IV, Policy, Section 3.1, “Upgrades,” states: “Costs associated with upgrades to business/first class are not an allowable business expense....”

Table 2. Finding 2 – Unreasonable/Unallowable Travel Costs

| Description | NSF Award No. | Questioned Costs |
|--|---------------|------------------|
| Upgraded Business Class Airfare | | \$ 945 693 |
| Participant Support Travel for Princeton Employees | | \$ 564 |
| Total Questioned Costs | | \$ 2,202 |

Source: Auditor summary of questioned costs claimed

Recommendations: We recommend that NSF’s Director of the Division of Institution and Award Support:

1. Resolve the \$2,202 in questioned costs, and direct Princeton to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct Princeton to strengthen administrative and management controls to ensure compliance with Princeton policies over reviewing the allowability, allocability, and reasonableness of costs claimed on NSF awards. Processes could include enhancing controls over properly allocating unallowable travel expenses (e.g., business class upgrades).
3. Direct Princeton to encourage compliance with travel policies by providing additional support, training, and educational resources to employees.

Princeton’s Response: The University will focus future training topics on the recommended items noted above. In addition, Princeton will refund the \$2,202 at the conclusion of the audit.

See **Appendix C** for Princeton’s complete response.

Auditor’s Additional Comments: Our position regarding this finding remains the same.

Finding 3 – Non-Financial Impact Finding – Misclassifications

Princeton personnel charged \$18,977 of incorrectly classified expenses to NSF awards (i.e., costs claimed were allowable and valid; however, expenses were recorded under an incorrect account/budget category within the University financial system of record). No financial impact was recognized, other than the misclassification. The costs identified below were not in accordance with the following:

- Princeton University Office of Finance & Treasury, *Financial Review and Monitoring*¹¹
- Princeton University Office of Finance & Treasury, *Transaction Review*¹²

The misclassified costs are as follows:

Misclassified Indirect Costs: Princeton misclassified \$15,250 of indirect cost expenses to NSF Award No. [REDACTED]. Specifically, the University charged NSF indirect costs related to a subaward at the on-campus rate of 61 percent. However, this expense was classified as off-campus.

Misclassified Supplies and Materials: Princeton misclassified \$3,727 of supplies and materials expenses to NSF Award No. [REDACTED]. Specifically, Princeton charged NSF for data sets via a subscription used in the research as supplies and materials; however, the expense should have been recorded under Princeton’s “Membership Dues & Subscriptions” account.

Princeton personnel did not accurately classify expenses, nor did they perform a review to determine whether expenses were classified appropriately in order to accurately determine spending against the budget categories in the proposals. As a result, Kearney identified \$18,977 of misclassified expenses charged to NSF awards, as follows:

Table 3. Finding 3 – Non-Financial Impact Finding – Misclassifications

| Description | NSF Award No. | Non-Financial Impact Costs |
|---|---------------|----------------------------|
| Misclassified Indirect Costs | [REDACTED] | \$ 15,250 |
| Misclassified Supplies and Materials | [REDACTED] | \$ 3,727 |
| Total Non-Financial Impact Costs | | \$ 18,977 |

Source: Auditor summary of non-financial impact costs claimed

¹¹ Princeton University Office of Finance & Treasury, *Financial Review and Monitoring*, states: “An essential component of financial management is a regular review to identify errors, anomalies, potential compliance issues, and significant budget variances. The overall objective of financial review is to contain risk to the University by determining if transactions are accurate and appropriate....” <https://finance.princeton.edu/how-to/chart-of-accounts/index.xml> accessed August 31, 2018.

¹² Princeton University Office of Finance & Treasury, *Transaction Review*, states: “The chartstring coding is accurate relative to the responsible organization, nature of the funding source, and classification of accounts.” <https://finance.princeton.edu/how-to/financial-management/guidelines/transaction-review/> accessed August 31, 2018.

Recommendation: We recommend that NSF's Director of the Division of Institution and Award Support:

1. Direct Princeton to strengthen and enforce communication over current policies and procedures to enhance controls over expense classifications.

Princeton's Response: The University does not contest this finding and will continue to train in this area and provide additional focus where needed.

See **Appendix C** for Princeton's complete response.

Auditor's Additional Comments: Our position regarding this finding remains the same.

Finding 4 – Publication (Non-Financial Impact) Finding – Compliance

Princeton personnel did not comply with NSF terms and conditions; however, no financial impact was recognized as a result of the non-compliance. The award identified was not in compliance with the following:

- *NSF PAPPG, Chapter VI, Section E.4.a(i), “Grantee Obligations”*¹³

NSF Award Not Recognized: The PI of NSF Award No. [REDACTED] performed research to extend understanding of the [REDACTED]. Further, the PI published a paper in [REDACTED] to share project results. However, the PI did not acknowledge the contributions of NSF Award No. [REDACTED] to the University’s publication.

Princeton did not have appropriate policies and procedures in place to ensure that research performed by PIs complied with all relevant Princeton and Federal policies before results were published. As a result, Kearney identified \$154,581 of costs for which Princeton did not comply with NSF terms and conditions as follows:

Table 4. Finding 4 – Non-Financial Impact Finding – Compliance

| Description | NSF Award No. | Non-Financial Impact Costs |
|---|---------------|----------------------------|
| NSF Award not recognized | [REDACTED] | \$ 154,581 |
| Total Non-Financial Impact Costs | | \$ 154,581 |

Source: Auditor summary of non-financial impact costs claimed.

Recommendation: We recommend that NSF’s Director of the Division of Institution and Award Support:

1. Direct Princeton to strengthen internal controls that ensure the University reviews research results before results are published to ensure grants used to fund the project are acknowledged.

Princeton’s Response: The University does not contest the finding and will incorporate the need to cite acknowledgment of NSF support into faculty informational training.

See **Appendix C** for Princeton’s complete response.

Auditor’s Additional Comments: Our position regarding this finding remains the same.

¹³ The 2013 NSF PAPPG, Chapter VI, Section E.4.a(i), “Grantee Obligations,” states: “Acknowledgement of Support. Unless otherwise provided in the grant, the grantee is responsible for assuring that an acknowledgment of NSF support is made: (i) in any publication (including Web pages) of any material based on or developed under this project, in the following terms: “This material is based upon work supported by the National Science Foundation under Grant No. (NSF grant number).”

Appendix A: Objectives, Scope, and Methodology of the Audit

Objective

As requested by the National Science Foundation (NSF) Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited a sample of Princeton University’s (defined as “Princeton” or “University” in this report) claimed costs on NSF awards. Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

NSF OIG initiated an audit of costs claimed by the University on NSF awards. The audit objective was to determine whether costs claimed were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal financial assistance requirements. Kearney conducted the performance audit by testing costs claimed by the University and reporting on only the transactions provided.

Scope and Limitations

NSF OIG engaged Kearney to conduct a performance audit of costs incurred by Princeton on NSF awards for the period of November 1, 2013, to October 31, 2016. Our audit included assessing the allowability, allocability, and reasonableness of the sample of 250 transactions selected by Kearney through a risk-based sampling approach, which was approved by NSF OIG. The Princeton transaction population consisted of 111,910 transactions, which was provided by Princeton at the request of Kearney. As of October 31, 2016, Princeton received 606 NSF awards with expenditures totaling \$170,034,665 during the scope of the audit. Our work required reliance on computer-processed data obtained from Princeton and NSF OIG.

Methodology and Work Performed

Kearney conducted this performance audit in accordance with GAGAS for performance audits, as prescribed in the 2011 Revision of *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. As a basis for our performance audit, Kearney used NSF award documentation; NSF policies; Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*; 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, to determine whether costs were in compliance and were allowable, allocable, and reasonable.

To meet the performance audit objectives, Kearney specifically:

- Reviewed NSF policy and OMB guidance;
- Performed reconciliations over Princeton's general ledger (GL) and subledger files to NSF Award Cash Management Service's (ACMS) awardee drawdown transactional files for the audit period in scope;
- Performed risk-based sampling analytics to select a judgmental sample of 250 expenditures for testing (required sample size based on contract/task order scope of work);
- Tested a sample of 250 expenditures for compliance with grant terms and conditions; and
- Requested and reviewed supporting documentation from Princeton for each sample item to determine validity and compliance with grant requirements.

To determine completeness of the Princeton data provided for the audit period, Kearney analyzed schedules and reconciliations prepared by Princeton and agreed them to the accounting records. After determining completeness, we conducted data mining and analytical procedures over the universe of data provided by Princeton. Kearney compiled a judgmental sample list of an initial 250 transactions based on criteria, including, but not limited to, transactions of unusual spending trends; inconsistencies; even dollar amounts; large dollar amounts; duplicate transactions; descriptions indicating potentially unallowable costs; frequency; and transactions near or after award expiration.

Kearney requested supporting documentation for the 250 transactions from Princeton, and we reviewed the support provided by the University to determine the allowability, allocability, and reasonableness of expenditures. When necessary, we obtained additional support or explanations from Princeton to determine whether the transactions were valid. Kearney reported the actual, not projected, results and findings within the body of this performance audit report.

Work Related to Internal Controls

Princeton management is responsible for establishing and maintaining effective internal control to help ensure that Federal award funds are used in compliance with laws, regulations, and award terms. In planning and performing our audit, we considered Princeton's internal control over awards related to financial reporting solely for the purpose of understanding the policies and procedures relevant to the financial reporting and administration of NSF awards in order to evaluate Princeton's compliance with laws, regulations, and award terms applicable to the items selected by NSF OIG for testing, but not for the purpose of expressing an opinion on the effectiveness of Princeton's internal control over award financial reporting and administration. Accordingly, we do not express an opinion on the effectiveness of Princeton's internal control.

Appendix B: Schedule of Questioned Costs by Finding

NATIONAL SCIENCE FOUNDATION
ORDER # D16PB00537
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
PRINCETON UNIVERSITY

SCHEDULE OF QUESTIONED COSTS BY FINDING

| Finding | Description | Questioned Costs | | Total |
|--------------|---|------------------|-------------------|-------------------|
| | | Unsupported | Unallowable | |
| 1 | Unreasonable Expenses Near Award Expiration | \$ 0 | \$ 433,819 | \$ 433,819 |
| 2 | Unreasonable, Unallowable, or Unsupported Travel Costs | \$ 0 | \$ 2,202 | \$ 2,202 |
| Total | | \$ 0 | \$ 436,021 | \$ 436,021 |
| N/A | Misclassified Expenses – (Costs not questioned) | N/A | N/A | \$ 18,977 |
| N/A | Publication Compliance Issue (Non-Financial) – (Costs not questioned) | N/A | N/A | \$ 154,581 |
| Total | | | | \$ 173,558 |

Source: Auditor summary of findings over NSF-provided data from Princeton during the period of November 1, 2013, to October 31, 2016

Appendix C: Princeton University Response



December 19, 2018

Kearney & Company, P.C.
1701 Duke St, Suite 500
Alexandria, VA 22314

Office of Finance and Treasury
Office of the Controller
701 Carnegie Center, Suite 446
Princeton, New Jersey 08540

Dear Sir or Madam:

Princeton University (the "University") submits these comments in response to the National Science Foundation Office of the Inspector General (NSF-OIG) Performance Audit of Claimed Costs for NSF awards for the period November 1, 2013 through October 31, 2016 prepared by the accounting firm of Kearney & Company ("Kearney").

The University takes the audit process seriously and considers it an integral component of the University's ongoing program of internal controls. Regular audits – internal and external – facilitate management's ability to identify those areas where internal controls may be further enhanced and those where they are performing effectively. To that end, we have analyzed each of the auditors' findings herein, and while we do not agree with each one, we will use this report to enhance our overall system of compliance and controls.


Summary

The University is very pleased to learn that there were no financial findings reported for 244 of the 250 samples or \$8.2 million of the \$8.6 million selected in the judgmental sample process. While we continually strive to improve our processes, the University submits that the aforementioned result reflects the effectiveness of our policies, procedures, and system of internal controls.

The University concurs with \$11,063 of the \$433,819 of financial impact findings. The University believes the remaining \$422,756 of questioned costs are reasonable, allowable and allocable under OMB Circular A-21, the Code of Federal Regulations (2 CFR Part 220), NSF policies and the terms and conditions of the grants issued. To facilitate your review we have provided a response to each finding.

Please contact me if you have further questions.

Sincerely,


Kenneth R. Molinaro
Interim Vice President for Finance and Treasurer

Finding 1 – Unallocable and/or Unreasonable Expenses Near and After Award Expiration

See finding details in Kearney's audit report.

Recommendation: Kearney recommends that NSF's Director of the Division of Institution and Award Support request that Princeton:

1. Repay the \$433,819 in questioned costs.
2. Ensure purchases are made timely within the award period of performance to allow the purchases to be fully utilized in support of the award.

Princeton's Response: The University agrees with \$11,063 of the \$433,819 of questioned costs.

The University will work with the Cost Analysis & Audit Resolution Branch within the Division of Institution and Award Support of the NSF to determine if any further adjustments need to be made and whether Princeton needs to modify administrative and management controls.

Responses to each finding are below:

Summary of Kearney's Finding for NSF Award No. [REDACTED]

Kearney questioned \$363,766 for equipment charges for NSF Award [REDACTED]

Kearney acknowledged in its finding the unforeseen circumstances that led to the purchase of the equipment including originally purchasing equipment that proved to be defective with a refund issued on March 3, 2015. Kearney also acknowledged that Princeton received NSF program officer approval to purchase the equipment that is included in the Kearney finding on May 5, 2015. However, the finding stated that this was an unallocable and/or unreasonable expense near award expiration and Princeton did not provide adequate support of the equipment's relative benefit to the award.

Princeton's Response to Award No. [REDACTED]

The University disagrees with Kearney's assertion that there was not ample time remaining for the equipment items to be utilized in the actual conduct of the research. The acquisition was crucial to the results of the [REDACTED] experiment from June 2016 through August 2016 and permitted the extension of the life and operation of the [REDACTED] experiment from June 2016 onward. Data collected from June 2016 through August 2016 allowed the [REDACTED] to produce [REDACTED]

[REDACTED] The University also disagrees with Kearney's statement that the equipment was used on other projects that did not share in the cost. The equipment was used for the sole benefit of the [REDACTED] experiment. The equipment did not benefit any other award outside of [REDACTED]. The University maintains the allocability of the purchases because they were made to meet the research objectives of NSF Award No. [REDACTED] and utilized in the actual conduct of research.

The equipment purchases were both allocable and reasonable charges to NSF Award No. 1242585. A reasonable cost is defined per OMB A-21 C.3. as *“reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”* As Kearney noted, due to a defect in the originally budgeted equipment item, the PI received approval from the NSF program officer on May 5, 2015 to pursue two unplanned equipment purchases related to a large construction project that did not change the scope of the research objectives. Had the NSF program officer not approved the equipment purchases, the University would not have proceeded to acquire the equipment items.

After the NSF program officer’s approval, the following events occurred which support the University’s position that the expenditures were prudent and reasonable given the circumstances prevailing at the time:

- May 2015 - PI received NSF program officer approval to pursue two unplanned equipment purchases.
- Jun 2015 to Aug 2015 - The PI completed an advanced customized design for the large construction project.
- Sep 2015 to Oct 2015 - The design was submitted and reviewed by an ad-hoc committee installed by ██████████ NSF funding agency partner.
- Nov 2015 - The ad-hoc committee delivered a positive recommendation.
- Dec 2015 to Jan 2016 - Due to the extended ██████████ holiday vacation period, there was a significant slowdown in productivity.
- Jan 2016 to Apr 2016 - The PI and ██████████ team engaged vendors and solicited bids for the purchase orders.
- Mar 2016 - The purchase order date for the ██████████ in the amount of \$215,066.
- Apr 2016 - The purchase order date for the upgrade of the ██████████ and a ██████████ in the amount of \$148,700.
- Jun 2016 - ██████████ received
- Jun 2016 - ██████████ and ██████████ received
- Aug 2016 - Award end date

The University further disagrees with Kearney’s assessment that Princeton did not properly plan for these equipment purchases. As referenced in the timeline above, the planning process for these equipment items began more than thirteen months before the award expiration date and these costs were allocable to NSF Award No. ██████████

Additionally, a renewal award was issued to continue supporting the research program beyond the expiring grant. *“Renewed support is defined as additional funding for a support period subsequent to that provided by the original grant. Renewals to grants, if any, will be in the form of a new grant with a new grant number. Costs incurred under the old grant cannot be transferred to the new grant”* (NSF PAPPG, Chapter VI, Section E).

It is therefore clear that renewal awards are intended to provide additional funding to continue building on research goals from the original grant. The renewal award benefited from these equipment purchases, as it did from all research and expenditures incurred under this award and prior awards. This in no way negates the allocability of this expense to the original grant, but further supports the reasonableness of the charges allocated to this award.

Summary of Kearney's Finding for NSF Award No. [REDACTED]:

Kearney questioned \$44,826 for equipment charges in bullet titled "April 2016 Charge against Expiring Award" for NSF Award [REDACTED].

Kearney stated that the University did not have ample time left for the [REDACTED] to be utilized in the actual conduct of the research.

Princeton's Response to Award No. [REDACTED]:

The University disagrees with Kearney's assertion that there was not ample time for the [REDACTED] to benefit the research on NSF Award No. [REDACTED]. The [REDACTED] was purchased to ensure the [REDACTED] that were essential to the research objectives of the [REDACTED] experiment were not compromised. The [REDACTED] is the [REDACTED]. A [REDACTED] is like a [REDACTED] - something has to [REDACTED] and that is what the [REDACTED] does. It could take four months (the typical ordering time for a new [REDACTED] to receive a replacement [REDACTED] in the remote and mountainous [REDACTED] where the [REDACTED] are located. The [REDACTED] purchase was a reasonable and allocable cost because it provided assurance beginning in April 2016 that if the old [REDACTED] failed, the downtime would be minimal. A four-month delay would result in idle resources, significant financial loss, and delay the work of the research team and the [REDACTED] award goals. Given these circumstances, it was determined to be prudent and reasonable to order a back-up [REDACTED]. A reasonable cost is defined per OMB A-21 C.3. as "reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, *reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made* [emphasis added]."

Additionally, a renewal award was issued to continue supporting the research program beyond the expiring grant. "Renewed support is defined as additional funding for a support period subsequent to that provided by the original grant. Renewals to grants, if any, will be in the form of a new grant with a new grant number. Costs incurred under the old grant cannot be transferred to the new grant" (NSF PAPPG, Chapter VI, Section E).

It is therefore clear that a renewal award is intended to provide additional funding to continue building on research goals from the original grant. The renewal award benefited from the equipment purchase, as it did from all research and expenditures incurred under this award and

prior awards. This in no way negates the allocability of this expense to the original grant, but further supports the reasonableness of the charges allocated to this award.

Summary of Kearney's Finding for NSF Award No. [REDACTED]

Kearney questioned \$16,366 for equipment charges in bullet titled "July 2014 Charge against Expiring Award" for NSF Award [REDACTED].

Kearney stated that the timing of the purchase indicates the purchase did not benefit Award No. [REDACTED], but rather other research/award(s) outside the scope of this award.

Princeton's Response to Award No. [REDACTED]

The University disagrees that this expense was unallocable to the award. This Major Research Instrumentation (MRI) Program award supported the fabrication of an [REDACTED] Machine. The purchase of the supplies and materials (e.g. [REDACTED]) was to enhance the [REDACTED] of the machine, which was operational and ready for "regular research" as defined by the NSF MRI program by the award end date.

As stated in the program solicitation, the MRI program serves to increase access to shared scientific and engineering instruments to be used in future research and research training by providing opportunities to acquire major instrumentation that supports the research and research training goals of the university (NSF.gov publication 18-513). The objective of MRI grants, therefore, is the acquisition or development of the instrumentation itself, not the use of the instrumentation in support of a separate research objective on the project. There is no independent research scope associated with an MRI award. Further, as the objective of the program is solely to acquire or develop equipment, the concept of allocability based on project period dates does not apply to the NSF MRI Program.

The NSF's MRI program does not require that the instrumentation be operational by the end of the award. Rather, the MRI program provides that "[a]n instrument acquired or developed with support from the MRI program *is expected* to be operational for regular research use by the end of the award period [emphasis added]." This expectation is a reflection of the complexity of the MRI program, which contemplates "the acquisition or development of a single, shared-use, state-of-the-art, well-integrated instrument" comprised of an "ensemble of equipment" (NSF.gov publication 15-012 FAQ #26).

The expectation was that the instrumentation equipment would be completed close to its end date. The challenge of incompatibilities recognized during the award period was explicitly described in the NSF approved No-Cost Extension (NCE). The PI reported on July 17, 2014 (within the 90-day reporting period after award end date) in the NSF-approved final report that "This new machine is now complete and is now undergoing final testing before being [REDACTED]"

- \$564 for travel charges in bullet titled “Participant Support Travel for Princeton Employees” for NSF Award [REDACTED]

Kearney stated that these were unallowable travel costs.

Princeton’s Response to Award Nos. [REDACTED], [REDACTED], and [REDACTED]:

- *Award Nos. [REDACTED] & [REDACTED]* - The University does not contest this finding. Two business class airfare upgrades in the amounts of \$945 and \$693 were inadvertently charged to these awards. In general, University policies prohibit airfare upgrades on sponsored awards, unless there are extenuating circumstances. The University will increase its efforts to communicate the travel policy requirements to personnel who support travel related activities. The University will refund these amounts at the conclusion of the audit.
- *Award No. [REDACTED]* - The University does not contest this finding. A portion of the participant support cost associated with two employees for \$564.15 was allowable, but inadvertently charged to the participant support budget. The University will refund these amounts at the conclusion of the audit.

Finding 3 – Non-Financial Impact Finding - Misclassifications

See finding details in Kearney’s audit report.

Recommendation: Kearney recommends that NSF’s Director of the Division of Institution and Award Support request that Princeton:

1. Strengthen and enforce communication over current policies and procedures to enhance controls over expense classifications.

Princeton’s Response: The University will continue to train in this area and will provide additional focus where needed.

Summary of Kearney’s Finding for NSF Award No. [REDACTED]:

Kearney stated that Princeton misclassified indirect costs on NSF Award [REDACTED] as on-campus instead of off-campus for indirect cost purposes. However, there was no financial impact to this finding.

Princeton’s Response to Award No. [REDACTED]

The University does not contest this finding. The University appropriately charged \$15,250 of indirect cost expenses using the correct indirect cost rate of 61 percent. However, the description for the F&A rate type on the award was incorrectly setup as off-campus instead of on-campus. The University has automated this process to prevent this error from happening in the new financial system as of July 1, 2014.

Summary of Kearney's Finding for NSF Award No. [REDACTED]

Kearney stated that Princeton misclassified supplies and materials on NSF Award [REDACTED] as supplies and materials instead of "membership, dues, & subscriptions". However, there was no financial impact to this finding.

Princeton's Response to Award No. [REDACTED]

The University does not contest this finding. A misclassification of an expense occurred in June 2015, when it was coded as general office supplies instead of a subscription. The University had implemented a new chart of accounts structure and financial system in July 2014 and employees were still acclimating to a more comprehensive account code selection process.

Finding 4 – Publication (Non-Financial Impact) Finding – Compliance

See finding details in Kearney's audit report.

Recommendation: Kearney recommends that NSF's Director of the Division of Institution and Award Support request that Princeton:

1. Strengthen internal controls that ensure the University reviews research results before results are published to ensure grants used to fund the project are acknowledged.

Princeton's Response: The University will incorporate the need to cite acknowledgment of NSF support into faculty informational training.

Summary of Kearney's Finding for NSF Award No. [REDACTED]

Kearney stated that NSF Award [REDACTED] did not acknowledge NSF's support in a publication.

Princeton's Response to Award No. [REDACTED]

The University does not contest this finding. Due to an unfortunate oversight, the principal investigator did not acknowledge the support received from the NSF award in a publication. The online publication was corrected to include this acknowledgement.



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