

Performance Audit of Incurred Costs – University of Nebraska-Lincoln

REPORT PREPARED BY SIKICH CPA LLC





At a Glance

Performance Audit of Incurred Costs – University of Nebraska-Lincoln
OIG 25-01-003 | January 22, 2025

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Sikich CPA LLC (Sikich) to conduct a performance audit of costs that the University of Nebraska-Lincoln (UNL) incurred on 328 NSF awards during the period October 1, 2019, to September 30, 2022. The auditors tested more than \$1.5 million of the approximately \$71.1 million of costs claimed during the period. The audit objective was to evaluate UNL's award management environment and determine if costs claimed by UNL on NSF awards were allowable, allocable, reasonable, and in compliance with NSF terms and conditions and federal financial assistance requirements. A description of the audit's objective, scope, and methodology is attached to the report as Appendix B.

AUDIT RESULTS

The report highlights concerns about UNL's compliance with certain federal and NSF award requirements, NSF award terms and conditions, and UNL policies. The auditors questioned \$196,047 of costs claimed by UNL during the audit period. Specifically, the auditors found \$92,865 of inadequately supported internal service center expenses, \$80,644 of inappropriately allocated expenses, and \$22,538 of unallowable expenses. The auditors also identified two compliance related findings for which there were no questioned costs: UNL's indirect cost rate was not appropriately applied and non-compliance with UNL policies. In addition to the five findings, the audit report includes one area for improvement for UNL to consider regarding insufficient controls related to the application of indirect cost rates. Sikich is responsible for the attached report and the conclusions expressed in it. NSF OIG does not express any opinion on the conclusions presented in Sikich's report.

RECOMMENDATIONS

The auditors included five findings and one area for improvement in the report with associated recommendations for NSF to resolve the questioned costs and to ensure UNL strengthens administrative and management controls.

AUDITEE RESPONSE

UNL generally agreed with the findings in the audit report and agreed to reimburse \$156,659 of the \$196,047 in questioned costs. UNL's response is attached, in its entirety, to the report as Appendix A.

CONTACT US

For congressional, media, and general inquiries, email OIGPublicAffairs@nsf.gov.



U.S. NATIONAL SCIENCE FOUNDATION
Office of Inspector General

MEMORANDUM

DATE: January 22, 2025

TO: Quadira Dantro
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements

FROM: Theresa S. Hull [REDACTED]
Assistant Inspector General
Office of Audits, Inspections, and Evaluations

SUBJECT: Final Report No. 25-01-003, *University of Nebraska-Lincoln*

This memorandum transmits the Sikich CPA LLC (Sikich) report for the audit of costs charged by the University of Nebraska-Lincoln (UNL) to 328 NSF awards during the period October 1, 2019, to September 30, 2022. The audit encompassed more than \$1.5 million of the approximately \$71.1 million of costs claimed during the period. The objective of the audit was to evaluate UNL's award management environment and determine if costs claimed by UNL on NSF awards were allowable, allocable, reasonable, and in compliance with NSF terms and conditions and federal financial assistance requirements. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix B.

Please coordinate with our office during the 6-month resolution period, as specified by OMB 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 the Audit

Sikich 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 Sikich's report. To fulfill our responsibilities, we:

- reviewed Sikich'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 Sikich, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the report prepared by Sikich; and
- coordinated issuance of the 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 Keith Nackerud at 703-292-7100 or OIGPublicAffairs@nsf.gov.

Attachment

CC: Darío Gil, Victor McCrary, Wanda Ward, Scott Stanley, John Veysey, Ann Bushmiller, Micah Cheatham, Judy Hayden, Christina Sarris, Janis Coughlin-Piester, Alex Wynnyk, Rochelle Ray, Charlotte Grant-Cobb

EXECUTIVE SUMMARY

The Sikich CPA LLC (formerly known as Cotton & Company Assurance and Advisory, LLC) audit team determined that University of Nebraska – Lincoln (UNL) needs improved oversight of expenses charged to NSF awards to ensure costs claimed are reasonable, allocable, and allowable in accordance with all federal and NSF regulations, NSF award terms and conditions, and UNL policies and procedures. Specifically, the audit report includes five findings, one area for improvement, and a total of \$196,047 in questioned costs.

AUDIT OBJECTIVES

The National Science Foundation Office of Inspector General engaged Sikich CPA LLC (herein referred to as “we”) to conduct a performance audit of costs UNL claimed during the period of October 1, 2019, to September 30, 2022. The audit objectives included determining whether costs claimed on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and applicable federal financial assistance requirements. We have attached a full description of the audit’s objectives, scope, and methodology as [Appendix B](#).

AUDIT CRITERIA

The audit team assessed UNL’s compliance with 2 Code of Federal Regulations (CFR) 200 (versions effective December 26, 2014, and November 12, 2020); NSF Proposal and Award Policies and Procedures Guides (PAPPGs) 15-1, 16-1, 17-1, 18-1, 19-1, 20-1, and 22-1; NSF award terms and conditions; and UNL policies and procedures. The audit team included references to relevant criteria within each finding and defined key terms within the Glossary located in [Appendix E](#).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States.

AUDIT FINDINGS

As summarized in [Appendix C](#), the auditors identified and questioned \$196,047 of direct and indirect costs that UNL inappropriately claimed during the audit period, including:

- \$92,865 of inadequately supported internal service center expenses
- \$80,644 of inappropriately allocated expenses
- \$22,538 of unallowable expenses

The audit report also includes two compliance-related findings for which the auditors did not question any costs:

- Indirect cost rate inappropriately applied
- Non-compliance with UNL policies

In addition to the five findings, the audit report includes one area for improvement for UNL to consider related to:

- Insufficient controls related to the application of indirect cost rates

RECOMMENDATIONS

The audit report includes 14 recommendations and 1 consideration for NSF’s Director of the Division of Institution and Award Support related to resolving the \$196,047 in questioned costs and ensuring UNL strengthens its award management environment, as summarized in [Appendix D](#).

AUDITEE RESPONSE

UNL generally agreed with the findings included in the audit report and agreed to reimburse NSF for \$156,659 of the \$196,047 in questioned costs. UNL’s response is attached, in its entirety, to the report as [Appendix A](#).

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Abbreviations

ACM\$	Award Cash Management \$ervice
CFR	Code of Federal Regulations
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GL	General Ledger
MTDC	Modified Total Direct Cost
NICRA	Negotiated Indirect Cost Rate Agreement
NSF	National Science Foundation
OIG	Office of Inspector General
PAPPG	Proposal and Award Policies and Procedures Guide
PI	Principal Investigator
POP	Period of Performance
PVS	Project Verification Statement
UNL	University of Nebraska – Lincoln

BACKGROUND

The National Science Foundation is an independent federal agency created “to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507). NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions throughout the United States.

Most federal agencies have an Office of Inspector General 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 contractors to provide these audit services.

NSF OIG engaged Sikich CPA LLC (formerly known as Cotton & Company Assurance and Advisory, LLC, and herein referred to as “we”) to conduct a performance audit of costs claimed by University of Nebraska – Lincoln (UNL). UNL is a comprehensive public institution of higher education, research, and public service located in Lincoln, Nebraska. In fiscal year (FY) 2022, the University of Nebraska System, which includes UNL, reported approximately \$1.49 billion in operating revenues, including approximately \$353.9 million received from federal grants and contracts—including NSF—as illustrated in Figure 1.

Figure 1: The University of Nebraska System’s FY 2022 Operating Revenues



Source: The chart data is supported by the University of Nebraska System’s Annual Comprehensive Financial Report for the Years Ended June 30, 2023 and 2022. (<https://nebraska.edu/-/media/projects/unca/offices-policies/business-and-finance-office/docs/accounting-finance/acfr-2023.pdf>) The photo of UNL’s campus is publicly available on UNL’s website. (<https://admissions.unl.edu/visit/virtual-tour/#east-campus>)

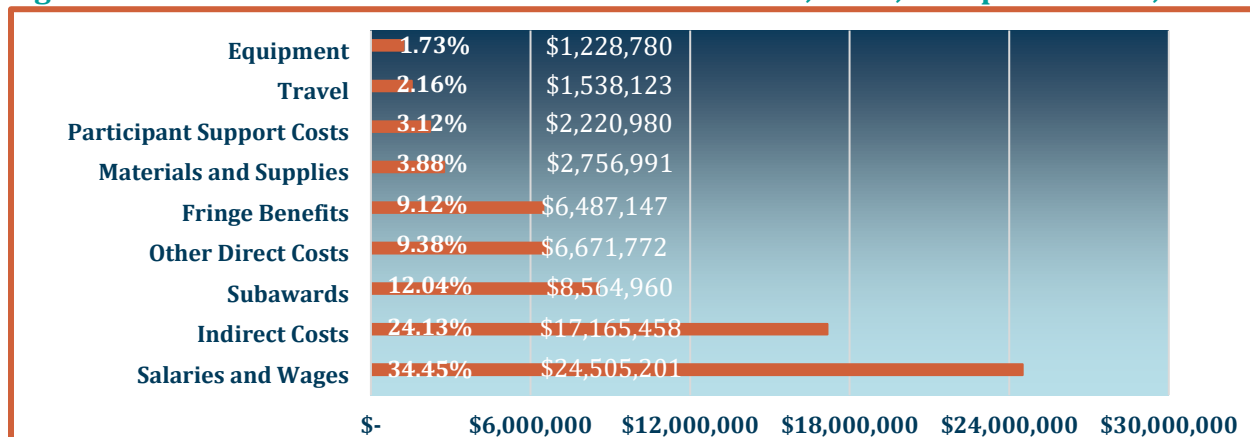
AUDIT SCOPE

This performance audit—conducted under Order No. 140D0422F0890—was designed to meet the objectives identified in the *Objectives, Scope, and Methodology* section of this report ([Appendix B](#)) and was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States.

The objectives of this performance audit were to evaluate UNL’s award management environment; determine if costs claimed on NSF awards were [allowable](#), [allocable](#), [reasonable](#), and in compliance with relevant federal and NSF regulations; determine whether any further audit work was warranted; and perform any additional audit work, as determined appropriate. [Appendix B](#) provides detailed information regarding the two phases in which we conducted this engagement: the Audit Survey Phase and the Expanded Testing Audit Phase.

As illustrated in Figure 2, UNL provided general ledger (GL) data to support the \$71.1 million in expenses it claimed on 328 NSF awards during our audit [period of performance \(POP\)](#) of October 1, 2019, to September 30, 2022.

Figure 2: Costs Claimed on NSF Awards from October 1, 2019, to September 30, 2022



Source: Auditor analysis of UNL-provided accounting data, illustrating the total costs (\$71,139,412) by expense type, using financial information to support costs incurred on NSF awards during the audit period. The “Other Direct Costs” category includes other direct costs, [consultant services](#), publications, and computer services.

We judgmentally selected 83 transactions totaling \$1,540,017¹ (see Table 1) and evaluated supporting documentation to determine whether the costs claimed on the NSF awards were allocable, allowable, and reasonable, and whether they were in conformity with NSF award terms and conditions, organizational policies, and applicable federal financial assistance requirements.

¹ The \$1,540,017 represents the total value of the 83 transactions selected for transaction-based testing and does not represent the dollar base of the total costs reviewed during the audit.

Table 1: Summary of Selected Transactions

Budget Category	Transaction Count	Expense Amount ²
Other Direct Costs	10	\$492,482
Participant Support Costs	3	195,818
Materials and Supplies	12	175,355
Equipment	9	172,065
Salaries and Wages	19	129,382
Subawards	4	124,706
Consultant Services	10	111,385
Travel	10	96,963
Computer Services	2	30,530
Fringe Benefits	2	5,694
Publications	2	5,637
Total	<u>83</u>	<u>\$1,540,017</u>

Source: Auditor summary of selected transactions.

Additionally, we performed non-transaction-based cluster testing in three areas to evaluate whether UNL appropriately: (1) re-budgeted participant support, (2) allocated publication costs across the appropriate funding sources, and (3) used reviewed and approved rates for internal service centers.

AUDIT RESULTS

We identified and questioned \$196,047 in costs that UNL charged to 20 NSF awards. We also identified expenses that UNL charged to 17 NSF awards that did not result in **questioned costs** but resulted in non-compliance with federal, NSF, and/or UNL-specific policies and procedures. Finally, we identified one area in which UNL should consider strengthening its controls to ensure it does not overcharge NSF awards for **indirect costs** in the future. See Table 2 for a summary of questioned costs by finding area, **Appendix C** for a summary of questioned costs by NSF award, and **Appendix D** for a summary of all recommendations.

Table 2: Summary of Questioned Costs by Finding Area

Finding Description	Questioned Costs
Inadequately Supported Internal Service Center Expenses	\$92,865
Inappropriately Allocated Expenses	80,644
Unallowable Expenses	22,538
Indirect Cost Rate Inappropriately Applied	-
Non-Compliance with UNL Policies	-
Total	<u>\$196,047</u>

Source: Auditor summary of findings identified.

² The expense amounts reported represent the total dollar value of the transactions selected for our sample; they do not include the total fringe benefits or indirect costs applied to the sampled transactions. However, we tested the fringe benefits and indirect costs for allowability.

We made 14 recommendations and identified 1 consideration for NSF's Director of the Division of Institution and Award Support related to resolving the \$196,047 in questioned costs and ensuring UNL strengthens its administrative and management policies, procedures, and controls for monitoring federal funds. We communicated our audit results and the related findings and recommendations to UNL and NSF OIG. We included UNL's response to this report, in its entirety, in [Appendix A](#).

FINDING 1: INADEQUATELY SUPPORTED INTERNAL SERVICE CENTER EXPENSES

UNL did not support that it always charged expenses invoiced by internal service centers based on actual usage and/or the approved internal service provider rates. We also noted one instance in which UNL did not update service provider rates biennially, as required by federal regulations.³ As a result, UNL charged five NSF awards a total of \$92,865 in internal service center expenses that it did not support as allowable, as illustrated in Table 3.

Table 3: Inadequately Supported Internal Service Center Expenses

Expense Date	NSF Award No.	Inadequately Supported Expense Total	Exception with Internal Service Center Expense	Notes
November 2019	██████	\$278	Expense Not Based on Actual Usage	a
September 2020	██████	154	Expense Not Based on Actual Usage	b
May 2021-August 2022	██████	87,451	Expense Not Charged Based on Approved Rates	c
June 2021	██████	4,982	Expense Not Charged Based on Approved Rates	d
September 2021	██████	-	Expense Not Charged Based on Approved Rates	e

Source: Auditor summary of identified exceptions.

- a)** In November 2019, UNL charged NSF Award No. ██████ for \$2,957 invoiced by an internal service center for x-ray services. Although the internal service center invoiced the services consistent with its biennially updated rate agreement, the invoice only supported \$2,679 in x-ray services, or \$278 less than the amount charged.
- b)** In September 2020, UNL charged NSF Award No. ██████ for \$1,125 invoiced by an internal service center for materials. Although the internal service center invoiced the materials consistent with its biennially updated rate agreement, the invoice only supported \$971 in materials, or \$154 less than the amount charged.

³ According to 2 Code of Federal Regulations (CFR) § 200.468 (December 26, 2014) and 2 CFR § 200.468 (Revised November 12, 2020), *Specialized service facilities*, the costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that is adjusted biennially and is designed to recover only the aggregate costs of the services.

- c) Between May 2021 and August 2022, UNL charged NSF Award No. [REDACTED] for \$87,451 invoiced by an internal service center for mileage claimed on a vehicle owned by UNL. UNL policies require internal service centers that charge more than \$10,000 to obtain UNL's approval for the internal service center rate. Internal service centers that charge less than \$10,000 receive an informal review, but the rate is considered "unreviewed" per the Service Center Annual Review form. Although the service center charged more than \$10,000, it received an informal review and was considered "unreviewed." As such, UNL did not obtain the formal review and approval required, in accordance with 2 CFR 200 and UNL policy.⁴
- d) In June 2021, UNL charged NSF Award No. [REDACTED] for \$4,982 invoiced by an internal service center using rates and mark-up percentages that were not supported by the internal service center's rate sheet.
- e) In September 2021, UNL charged NSF Award No. [REDACTED] for \$2,575 invoiced by an internal service center for lab access. The internal service center's biennially updated rate agreement established a "before 5pm" rate of \$35 per hour and an "after 5pm" rate of \$25 per hour. However, the service center charged all hours using a blended rate not included on the approved rate agreement. As the \$2,575 charged was less than the \$2,980 that the internal service center would have charged using the approved rates, we are not questioning any costs.

Conclusion

UNL's policies, procedures, and internal controls were not sufficient to ensure internal service centers always charged expenses consistent with approved internal service center rate agreements or based on actual service center usage, and sufficiently obtained biennial reviews for all internal service centers. We are therefore questioning \$92,865 in inadequately supported internal service center expenses charged to five NSF awards. UNL agreed to reimburse NSF for the \$92,865 of questioned costs, as illustrated in Table 4.

⁴ According to UNL Policy – Service Centers, *Establishing a Service Center Cost Center Account*, UNL must review and approve the rates in an internal service center's rate agreement on a biennial basis if the service center charges more than \$10,000 to federal grants, federal contracts, or federal pass-through accounts in a fiscal year.

Table 4: Finding 1 Summary: Inadequately Supported Internal Service Center Expenses

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	UNL Agreed to Reimburse
██████	November 2019 Internal Service Expense	2020	\$184	\$94	\$278	\$278
██████	September 2020 Internal Service Expense	2021	100	54	154	154
██████	May 2021 – August 2022 Internal Service Expense	2021 - 2023	56,971	30,480	87,451	87,451
██████	June 2021 Internal Service Expense	2021	3,355	1,627	4,982	4,982
██████	September 2021 Internal Service Expense	2022	-	-	-	-
Total			<u>\$60,610</u>	<u>\$32,255</u>	<u>\$92,865</u>	<u>\$92,865</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

- 1.1 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$92,865 in questioned internal service center expenses for which it has agreed to reimburse NSF.
- 1.2 Direct UNL to strengthen its policies and procedures related to internal service center invoicing processes. Updated procedures should ensure that internal service centers only bill for services and materials based on actual usage and/or the approved internal service provider rates.
- 1.3 Direct UNL to strengthen its policies and procedures related to the biennial reviews of internal service centers. Updated procedures could include periodic reviews of internal service centers to determine if they charge \$10,000 or more to federal grants.

University of Nebraska – Lincoln Response: UNL agreed with this finding and stated that it will reimburse NSF for the \$92,865 in questioned costs. With regard to the \$87,451 in questioned costs charged to NSF Award No. ██████ UNL requested that the auditors recategorize the exception as non-compliance; however, UNL agreed that it did not complete the appropriate reviews for the rates and agreed to reimburse NSF. Further, UNL noted that it will strengthen its controls and training related to document retention, as well as strengthen internal controls and guidance for reviewing service centers, tracking rate reviews, and obtaining approved rates.

Auditors' Additional Comments: Our position regarding this finding has not changed. With regard to the questioned costs charged to NSF Award No. ██████ we did not

recategorize the questioned costs as non-compliance with UNL policy because UNL did not approve the service center rates in accordance with the Uniform Guidance requirement for a biennial review, in accordance with UNL policy and as applicable to the other internal service centers. Additionally, UNL agreed with the finding as stated and agreed to reimburse NSF. As such, our position regarding this finding has not changed.

FINDING 2: INAPPROPRIATELY ALLOCATED EXPENSES

UNL did not always allocate expenses to NSF awards based on the relative benefits the awards received, as required per federal regulations⁵ and **NSF Proposal and Award Policies and Procedures Guides (PAPPGs)**.⁶ As a result, UNL charged 12 NSF awards a total of \$80,644 in inappropriately allocated **salary** and **fringe**, publication, computer, and **equipment** expenses.

Inappropriately Allocated Salary and Fringe Expenses

UNL charged NSF Award No. [REDACTED] for \$43,736 in salary and fringe benefits that were not allocable to the award, as illustrated in Table 5.

Table 5: Inappropriately Allocated Salary and Fringe Expenses

Expense Date	NSF Award No.	Amount Charged	Amount Allocable	Amount Inappropriately Allocated	Notes
August 2022	[REDACTED]	\$56,206	\$12,470	\$43,736	a

Source: Auditor summary of identified exception.

- a)** In August 2022, UNL overcharged NSF Award No. [REDACTED] for \$43,736 in salaries and fringe benefit expenses as a result of inappropriately processing a Personnel Action Form for one employee's summer salary. Specifically, although UNL determined in August 2022 that only \$12,470 of the initial \$56,206 charged was allocable to the award, UNL did not remove the expense from the award until we re-identified the inappropriately allocated expenses in March 2023, as a result of the audit.

Inappropriately Allocated Publication Expenses

UNL charged nine NSF awards for \$23,829 in publication expenses that were not consistent with the relevant benefits received by the awards charged, as illustrated in Table 6.⁷

⁵ According to 2 CFR § 200.405 (December 26, 2014) and 2 CFR § 200.405 (Revised November 12, 2020), *Allocable costs*, (a), 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.

⁶ According to NSF PAPPGs 16, Part II, Chapter V, Section A, and 18-1, 19-1, 20-1, and 22-1, Part II, Chapter X, Section A, *Basic Considerations*, grantees should ensure all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

⁷ According to 2 CFR § 200.461 (December 26, 2014) and 2 CFR § 200.461 (Revised November 12, 2020), *Publication and printing costs*, (a), publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-federal entity.

Table 6: Inappropriately Allocated Publication Expenses

Expense Date	NSF Award No.	Amount Charged	Percent Allocable (%)	Amount Inappropriately Allocated	Notes
November 2019	██████	\$2,426	50.00	\$1,213	a
June 2020	██████	3,398	50.00	1,699	b
	██████	3,398	50.00	1,699	
September 2020	██████	8,258	33.33	5,506	c
September 2020	██████	7,200	50.00	3,600	d
April 2021	██████	2,149	50.00	1,075	e
September 2021	██████	6,873	33.33	4,583	f
July 2022	██████	3,314	16.67	2,762	g
September 2022	██████	3,384	50.00	1,692	h

Source: Auditor summary of identified exceptions.

- a)** In November 2019, UNL charged NSF Award No. ██████ for \$2,426—or 100 percent—of expenses incurred to publish research that acknowledged two NSF funding sources. As both funding sources were managed by UNL and were open at the time of the publication, and as UNL acknowledged that work done on both awards contributed to the published research, \$1,213—or 50.00 percent—of the publication costs are not allocable to NSF Award No. ██████
- b)** In June 2020, UNL allocated 50 percent of a \$6,795 publication expense to NSF Award No. ██████ and 50 percent to NSF Award No. ██████ for expenses incurred to publish research that acknowledged four funding sources. Specifically, although both NSF awards were identified as funding sources, UNL acknowledged two additional funding sources, which were also managed by UNL and open at the time of the publication. UNL also acknowledged that work performed on all four awards contributed to the published research. As such, we determined that \$1,699—or 50.00 percent—of the publication costs charged to NSF Award No. ██████ and \$1,699—or 50.00 percent—of the publication costs charged to NSF Award No. ██████ are not allocable to those NSF awards.
- c)** In September 2020, UNL charged NSF Award No. ██████ for \$8,258—or 100 percent—of expenses incurred to publish research that acknowledged three NSF funding sources. All three funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged support from three funding sources and UNL acknowledged that work performed on all three awards contributed to the published research, \$5,506—or 66.67 percent—of the publication costs are not allocable to NSF Award No. ██████
- d)** In September 2020, UNL charged NSF Award No. ██████ for \$7,200—or 100 percent—of expenses incurred to publish research that acknowledged one NSF funding source and one non-NSF funding source. Both funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged two funding sources and the documentation provided was not sufficient to support the work performed on both awards did not contribute to the published

research, \$3,600—or 50.00 percent—of the publication costs are not allocable to NSF Award No. [REDACTED]

- e) In April 2021, UNL charged NSF Award No. [REDACTED] for \$2,149—or 100 percent—of expenses incurred to publish research that acknowledged one NSF funding source and one non-NSF funding source. Both funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged support from two funding sources and UNL acknowledged that work performed on both awards contributed to the published research, \$1,075—or 50.00 percent—of the publication costs are not allocable to NSF Award No. [REDACTED]
- f) In September 2021, UNL charged NSF Award No. [REDACTED] for \$6,873—or 100 percent—of expenses incurred to publish research that acknowledged three NSF funding sources. All three funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged support from three funding sources and UNL acknowledged that work performed on all three awards contributed to the published research, \$4,583—or 66.67 percent—of the publication costs are not allocable to NSF Award No. [REDACTED]
- g) In July 2022, UNL charged NSF Award No. [REDACTED] for \$3,314—or 100 percent—of expenses incurred to publish research that acknowledged five NSF funding sources and one non-NSF funding source. All six funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged support from six funding sources and UNL acknowledged that work performed on all six awards contributed to the published research, \$2,762—or 83.33 percent—of the publication costs are not allocable to NSF Award No. [REDACTED]
- h) In September 2022, UNL charged NSF Award No. [REDACTED] for \$3,384—or 100 percent—of expenses incurred to publish research that acknowledged two NSF funding sources. Both funding sources were managed by UNL and were open at the time of the publication. Because the published research acknowledged support from two funding sources and UNL acknowledged that work performed on both awards contributed to the published research, \$1,692—or 50.00 percent—of the costs are not allocable to NSF Award No. [REDACTED]

Inappropriately Allocated Expenses Near Grant Expiration

UNL charged two NSF awards for \$13,079 in expenses that UNL did not allocate consistent with the relative benefit the awards received before they expired, as illustrated in Table 7.

Table 7: Inappropriately Allocated Expenses Near Grant Expiration

Expense Date	NSF Award No.	Amount Charged	Percent Allocable (%)	Amount Inappropriately Allocated	Notes
September 2021	[REDACTED]	\$15,598	33.33	\$10,399	a
August 2022	[REDACTED]	2,680	0.00	2,680	b

Source: Auditor summary of identified exceptions.

- a) In September 2021, UNL charged NSF Award No. [REDACTED] for \$15,598—or 100 percent—of expenses incurred to enter into an annual lease to access computer nodes. UNL used the computer nodes to perform award-related research for 4 months of the 12-month lease. However, 8 months—or 66.67 percent—of the lease period was for access to the computer nodes after the award expired. Therefore, UNL inappropriately charged \$10,399—or 66.67 percent—of the costs to NSF Award No. [REDACTED]
- b) In August 2022, UNL charged NSF Award No. [REDACTED] for \$2,680 in materials and supplies. Although UNL purchased the materials prior to the award end date, the materials were not shipped until two days before the award expiration date, and UNL did not provide documentation to support the date the materials were received, nor that they would have been available and used to benefit the award prior to the award ending.⁸

Allocation Methodology Not Appropriately Documented

UNL charged NSF Award No. [REDACTED] for equipment expenses without documenting its allocation methodology. Specifically, in April 2020, UNL charged NSF Award No. [REDACTED] for \$1,945 in equipment expenses. Although the expense benefitted the award and UNL allocated the expense based on a percentage, UNL did not document its allocation methodology or justification for the allocation across all the funding sources. As the amount charged appeared reasonable, we are not questioning the costs.

Conclusion

UNL did not have sufficient policies, procedures, or internal controls in place to ensure that it allocated costs incurred based on the relative benefits each NSF award received. Specifically, UNL did not ensure that it allocated salaries and fringe benefit expenses to NSF awards consistent with personnel action forms, that it allocated publication expenses to all funding sources that supported the published research, that it allocated annual computer lease expenses based on which funding sources benefitted from the lease during the full 12-month period, or allocated the material and supplies expenses made near the end of the award based on the benefit received. Further, UNL's processes did not ensure it appropriately documented the methodology it used to allocate equipment expenses to an NSF award. We are therefore questioning \$80,644 of salary and fringe, publication, lease, and materials and supplies expenses that UNL inappropriately allocated to 10 NSF awards. We also noted one instance in which UNL did not document its allocation methodology when charging expenses to one NSF award. UNL agreed to reimburse NSF for \$43,736 in questioned costs, but disagreed with the remaining \$36,908, as illustrated in Table 8.

⁸ According to NSF PAPPG 19-1, Chapter X, Section A.2.c., *Post-End Date Costs*, the grantee typically should not purchase items of equipment or computing devices or restock materials and supplies in anticipation of the end date of the grant where there is little or no time left to use such items in the actual conduct of the research.

Table 8: Finding 2 Summary: Inappropriately Allocated Expenses

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	UNL Agreed to Reimburse
██████	August 2022 Salaries and Wages	2023	\$28,126	\$15,610	\$43,736	\$43,736
██████	November 2019 Publication	2020	803	410	1,213	-
██████ ██████	June 2020 Publication	2020	1,125	574	1,699	-
			1,125	574	1,699	-
██████	September 2020 Publication	2021	3,587	1,919	5,506	-
██████	September 2020 Publication	2021	2,500	1,100	3,600	-
██████	April 2021 Publication	2021	700	375	1,075	-
██████	September 2021 Publication	2022	2,947	1,636	4,583	-
██████	July 2022 Publication	2023	2,192	570	2,762	-
██████	September 2022 Publication	2023	1,121	571	1,692	-
██████	September 2021 Annual Lease for Computer Nodes	2022	6,887	3,512	10,399	-
██████	August 2022 Materials and Supplies	2023	2,127	553	2,680	-
██████	April 2020 Equipment	2020	-	-	-	-
Total			<u>\$53,240</u>	<u>\$27,404</u>	<u>\$80,644</u>	<u>\$43,736</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

- 2.1 Resolve the \$36,908 in questioned inappropriately allocated publication, lease, and material and supply expenses for which UNL has not agreed to reimburse NSF and direct UNL to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$43,736 in questioned salaries and fringe expenses for which it has agreed to reimburse NSF.

- 2.3 Direct UNL to strengthen its policies and procedures and internal controls for allocating expenses to sponsored projects. Updated policies, procedures, and internal controls should address how UNL will ensure:
- It charges salaries and fringe benefit expenses to NSF awards consistent with personnel action forms.
 - It allocates publication expenses consistent with the benefits received by acknowledged funding sources that contributed to the published research.
 - Its personnel document and justify allocation methodologies when charging expenses to NSF awards near grant expiration dates based on the benefit the NSF awards receive from the services and/or materials purchased.
 - It appropriately documents and retains documentation to support the methodology it uses to allocate expenses.

University of Nebraska - Lincoln Response: UNL agreed to reimburse NSF for the \$43,736 of inappropriately allocated salary and fringe expenses but disagreed with the remaining \$36,908 of inappropriately allocated publication expenses and expenses near award expiration.

Inappropriately Allocated Publication Expenses

UNL disagreed that acknowledging multiple funding sources in a publication signifies that the funding sources contributed equally to the published research, as the acknowledgements often serve to recognize funding sources that have supported various stages or elements of a researcher's work over time and do not denote a direct contribution to the specific outcomes presented in the publication.

UNL also disagreed with the assertion that publication costs should be split between awards solely because the awards were active at the time of the expense. The temporal overlap of funding sources does not, in itself, provide evidence that both awards contributed to the publication. UNL stated that allocability of the costs to the federal award must be based on a direct and causal relationship between the work funded by the award and the expenditure incurred. Lastly, UNL outlined its specific disagreement with each inappropriately allocated publication expense; we have included this discussion in Appendix A.

Inappropriately Allocated Expenses Near Grant Expiration

Although UNL disagreed with the finding and the associated questioned costs, it did not provide a specific response to these questioned costs.

Auditors' Additional Comments: Our position regarding this finding has not changed. Regarding the inappropriately allocated publication expenses, in each instance identified in the report, UNL provided documentation to support that the awards noted did contribute to the research discussed in the publication. Additionally, UNL did not document any methodology for allocating the publication expenses and why the other funding sources acknowledged in the publication were not charged. However, UNL noted in its response

that the allocability of costs to the federal award must be based on a direct and causal relationship between the work funded by the award and the expenditure incurred. Our assessment of each instance and the follow-up documentation provided indicated that the differing awards did in fact contribute to the published research and that a portion of the expenses were allocable. Regarding the inappropriately allocated expenses near award expiration, as UNL did not provide any response other than its disagreement with the finding, our position regarding this finding has not changed.

FINDING 3: UNALLOWABLE EXPENSES

UNL charged eight NSF awards a total of \$22,538 in expenses for participant support, publication, salaries and fringe, and equipment expenses that were unallowable per federal regulations⁹ and NSF PAPPGs.¹⁰

Unallowable Use of Participant Support Funds

UNL used \$13,123 of participant support funding awarded on four NSF awards to cover **travel** expenses that did not benefit the award charged, salary, and non-participant expenses,¹¹ which is not allowable per federal regulations and NSF PAPPGs, as illustrated in Table 9.¹²

Table 9: Unallowable Use of Participant Support Funds

Expense Date	NSF Award No.	Amount of Participant Support Funds	Participant Funds Used to Cover:	Notes
March 2020		\$3,884	Costs Not Allocable to the Award	a
June 2021		5,902	A UNL Employee's Salary	b
November 2021		1,606	Guest Speaker Lodging Fees	c
November 2021		868	A UNL Employee's Conference Lodging	d
July 2022		863	A UNL Employee's Travel Expenses	e

Source: Auditor summary of identified exceptions.

⁹ According to 2 CFR § 200.403 (December 26, 2014) and 2 CFR § 200.403 (Revised November 12, 2020), **Factors affecting allowability of costs**, (a), for a cost to be allowable, it must be allocable and reasonable for the performance of the federal award. Further, section (g) states that, in order for a cost to be allowable, it must be adequately documented. See **Appendix E** of this report for additional factors affecting the allowability of costs.

¹⁰ According to NSF PAPPGs 16, Part II, Chapter V, Section A, and 19-1 and 22-1, Part II, Chapter X, Section A, *Basic Considerations*, grantees should ensure all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

¹¹ NSF's Research Terms and Conditions, Appendix A, *Prior Approval Matrix*, dated November 12, 2020, notes that NSF requires approval to transfer funds budgeted for participant support costs into other categories of expense.

¹² According to NSF PAPPG 19-1 and 22-1, Part II, Chapter XI, Section C.2.g(v), *Participant Support*, this budget category refers to direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with NSF-sponsored conferences or training projects.

- a) In March 2020, UNL used \$3,884 in participant support funding remaining in its budget for NSF Award No. [REDACTED] to cover lodging expenses that UNL incurred to benefit NSF Award No. [REDACTED]
- b) In June 2021, UNL used \$5,902 in participant support funding awarded under NSF Award No. [REDACTED] to cover salary and fringe expenses for the award's Principal Investigator (PI), a UNL employee.
- c) In November 2021, UNL used \$1,606 in participant support funding awarded under NSF Award No. [REDACTED] to cover a guest speaker's lodging expenses.¹³
- d) In November 2021, UNL used \$868 in participant support funding awarded under NSF Award No. [REDACTED] to cover conference lodging provided to 12 UNL employees.
- e) In July 2022, UNL used \$863 in participant support funding awarded under NSF Award No. [REDACTED] to cover the PI's travel expenses.

Unallowable Publication Expenses

UNL charged two NSF awards for \$4,307 in expenses related to publications that did not report the work was supported by the NSF awards charged, as required for the expenses to be allowable per federal regulations¹⁴ and NSF PAPPGs,¹⁵ as illustrated in Table 10.

Table 10: Unallowable Publication Expenses

Expense Date	NSF Award No.	Award(s) Recognized in Publication	Expense Amount	Notes
November 2019	[REDACTED]	NSF Award No. [REDACTED]	\$1,827	a
March 2022	[REDACTED]	NSF Award Nos. [REDACTED] and [REDACTED], [REDACTED], [REDACTED], [REDACTED]	2,480	b

Source: Auditor summary of identified exceptions.

- a) In November 2019, UNL charged NSF Award No. [REDACTED] for \$1,827 in expenses incurred to publish research that did not acknowledge support from NSF Award No. [REDACTED]

¹³ According to NSF PAPPG 19-1, Part I, Chapter II, Section E.7.(iv), *Speaker Fees*, speakers and trainers are not considered participants and should not be included in this section of the budget. If the individual's primary purpose is to speak, then such costs should be budgeted in appropriate categories other than participant support.

¹⁴ According 2 CFR § 200.461 (December 26, 2014), *Publication and printing costs*, (b) page charges for professional journal publications are allowable where the publications report work supported by the federal government.

¹⁵ According to NSF PAPPG 19-1, Part II, Chapter XI, Section E. *Publication/Distribution of Grant Materials*, 4.(a), grantees are responsible for assuring that an acknowledgement of NSF support is made in any publication.

- b) In March 2022, UNL charged NSF Award No. [REDACTED] for \$2,480 in expenses incurred to publish research that did not acknowledge support from NSF Award No. [REDACTED]

Unallowable Salary and Fringe Expenses

UNL charged NSF Award No. [REDACTED] for \$3,020 in salary and fringe earned after the award's POP had expired, as illustrated in Table 11.

Table 11: Unallowable Salary and Fringe Expenses

Expense Date	NSF Award No.	Unallowable Total	Description	Notes
August 2020	[REDACTED]	\$3,020	Effort Period After Award Expiration Date	a

Source: Auditor summary of identified exception.

- a) In August 2020, UNL charged NSF Award No. [REDACTED] for \$3,020 in salary and fringe expenses earned for work performed after the NSF award's POP expired.¹⁶

Unallowable Equipment Expenses

UNL charged NSF Award No. [REDACTED] for \$2,088 for equipment that UNL did not use to benefit the award, as illustrated in Table 12.

Table 12: Unallowable Equipment Expenses

Expense Date	NSF Award No.	Unallowable Total	Description	Notes
August 2022	[REDACTED]	\$2,088	Equipment was not used to benefit the award	a

Source: Auditor summary of identified exception.

- a) In August 2022, UNL charged NSF Award No. [REDACTED] for \$2,088 in equipment expenses that the PI acknowledged did not benefit the award.

Conclusion

UNL's policies, procedures, and internal controls were not sufficient to ensure it only charged allowable costs to NSF awards. Specifically, UNL's procedures did not ensure that UNL obtained NSF approval to re-budget participant support funding, or that it monitored the use of participant support funds to ensure that it used the funds appropriately. Further, UNL's procedures were not sufficient to ensure that it only charged publication, salary and fringe and equipment expenses to NSF award(s) that benefitted from the expense. We are therefore questioning \$22,538 of unallowable expenses charged to eight NSF awards. UNL agreed to reimburse NSF for \$20,058 in questioned costs but disagreed with the remaining \$2,480, as illustrated in Table 13.

¹⁶ According to 2 CFR §200.430 (December 26, 2014), *Compensation - Personal Services*, (a) compensation for personal services includes...services of employees rendered during the period of performance under the federal award. Further, costs of compensation are allowable to the extent that they satisfy the specific requirements of 2 CFR 200 Subpart E. Further, per 2 CFR 200.403(h) (December 26, 2014), in order for a cost to be allowable it must be incurred during the approved budget period.

Table 13: Finding 3 Summary: Unallowable Expenses

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	UNL Agreed to Reimburse
██████	March 2020 Conference Lodging	2020	\$3,884	\$0	\$3,884	\$3,884
██████	June 2021 Non-Participant Payment	2021	4,684	1,218	5,902	5,902
██████	November 2021 Guest Speaker Lodging	2022	1,606	-	1,606	1,606
██████	November 2021 UNL Employee Lodging	2022	868	-	868	868
██████	July 2022 PI Travel	2023	863	-	863	863
██████	November 2019 Publication	2020	1,175	652	1,827	1,827
██████	March 2022 Publication	2022	1,595	885	2,480	-
██████	August 2020 Salaries and Fringe	2021	2,000	1,020	3,020	3,020
██████	August 2022 Equipment	2023	1,383	705	2,088	2,088
Total			<u>\$18,058</u>	<u>\$4,480</u>	<u>\$22,538</u>	<u>\$20,058</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

- 3.1 Resolve the \$2,480 in questioned publication expenses for which UNL has not agreed to reimburse NSF and direct UNL to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 3.2 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$20,058 in questioned participant support, publication, salary and fringe, and equipment expenses for which it has agreed to reimburse NSF.
- 3.3 Direct UNL to implement additional policies or procedures that address how to ensure it spends participant support funds appropriately, as well as how it will obtain required prior approvals from NSF before re-budgeting participant support funding.
- 3.4 Direct UNL to produce formal written guidance and provide training on how to assess and document the methodology used to allocate publication costs consistent with the benefits received by acknowledged funding sources.
- 3.5 Direct UNL to implement procedures that ensure it does not charge NSF awards for salary and fringe benefits earned after the NSF award expires.

- 3.6 Direct UNL to implement additional procedures that require Principal Investigators to regularly monitor and validate that they incurred expenses charged to NSF awards to benefit the award(s) to which they charged the expenses.

UNL University Response: UNL agreed to reimburse NSF for \$20,058 in unallowable participant support, publication, salary and fringe, and equipment expenses but disagreed with the remaining \$2,480 in questioned publication expenses. UNL stated that the absence of a specific acknowledgment of NSF Award No. [REDACTED] does not necessarily indicate that the award did not contribute to the research. In this case, an oversight in the acknowledgment section resulted in the accidental omission of the funding source. UNL confirmed that NSF Award No. [REDACTED] directly supported critical aspects of the research, including funding for personnel, facilities, and data collection, which underpinned the publication. UNL acknowledged its commitment to strengthening its processes to ensure that it accurately acknowledges all applicable funding sources in future publications. Further, UNL noted it will enhance its training and strengthen its oversight to ensure compliance with NSF participant support requirements, implement enhanced controls to align expenses with the period of performance for salary expenses, and strengthen its equipment expense review processes with training and enhanced oversight.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, UNL charged 100 percent of the publication costs to NSF Award No. [REDACTED] which it did not explicitly cite in the publication's acknowledgment section despite acknowledging other awards. Because UNL did not acknowledge NSF Award No. [REDACTED] in the publication, as required by federal and NSF regulations, the expense is unallowable. As such, our position regarding this finding has not changed.

FINDING 4: INDIRECT COST RATE INAPPROPRIATELY APPLIED

UNL did not apply its indirect cost rate to expenses that it should have included in its **Modified Total Direct Cost** (MTDC) base established in its **Negotiated Indirect Cost Rate Agreement** (NICRA),¹⁷ in accordance with federal regulations.¹⁸ Specifically, UNL did not appropriately apply its indirect cost rate to the appropriate MTDC for one NSF award, as illustrated in Table 14.

Table 14: Indirect Cost Rate Not Applied to Appropriate MTDC Base

NSF Award Number	Direct Expense Type	NSF Award Date	Expense Date	Rate Applied (%)	Appropriate Rate (%) ¹⁹	Inappropriately Charged Indirect Costs	Notes
[REDACTED]	Travel	12/3/2021	5/10/2022	0	55.50	\$0	a

Source: Auditor summary of identified exception.

¹⁷ According to UNL's NICRA dated December 17, 2020, UNL's MTDC base consists of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward.

¹⁸ According to 2 CFR § 200.1 (Revised November 12, 2020), *Modified Total Direct Costs*, supplies, services, and travel are included in the MTDC base.

¹⁹ UNL's NICRA dated December 17, 2020, established a predetermined indirect cost rate of 55.50 percent for on-campus research for the period July 1, 2021, to June 30, 2024.

- a) In May 2022, UNL charged NSF Award No. [REDACTED] for travel expenses that UNL inappropriately posted to an account that was excluded from UNL's MTDC base.

Conclusion

UNL did not have sufficient policies, procedures, or internal controls in place to ensure it charged travel expenses to GL account codes that are included in UNL's MTDC base consistent with its NICRA. As this instance of non-compliance did not result in UNL overcharging the NSF award for indirect costs, we are not questioning any costs. However, we are noting a compliance exception, as UNL did not apply its indirect cost rate consistent with its NICRA, as illustrated in Table 15.

Table 15: Finding 4 Summary: Indirect Cost Rate Inappropriately Applied

NSF Award No.	Compliance Exception Identified	Fiscal Year(s)
[REDACTED]	Inappropriately Applied Indirect Cost Rate	2022

Source: Auditor summary of identified exception.

Recommendations

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

- 4.1 Direct UNL to strengthen its policies, procedures, and internal control processes for applying its indirect cost rates to all direct costs that should be included in its Modified Total Direct Cost base per its Negotiated Indirect Cost Rate Agreements.

University of Nebraska - Lincoln Response: UNL did not agree or disagree with the finding. However, UNL did acknowledge the finding and stated it was an administrative oversight that UNL will take action to correct. Additionally, UNL stated that it will enhance its review processes for indirect cost calculations, provide training on indirect cost rate applications, and implement improved monitoring to ensure adherence to federal regulations and financial accountability.

Auditors' Additional Comments: Our position regarding this finding has not changed.

FINDING 5: NON-COMPLIANCE WITH UNL POLICIES

UNL did not always comply with—or document its compliance with—its Post Award Policies and Procedures Manual or its procurement, travel, and cost transfer policies and procedures when incurring costs charged to 15 NSF awards.

Non-Compliance with UNL Quarterly Review Process

UNL did not support that it included expenses charged to nine NSF awards within the quarterly project cost reviews, as required per UNL's Post Award Policies and Procedures Manual,²⁰ as illustrated in Table 16.

Table 16: Expenses Not Included in UNL's Quarterly Project Cost Review

Expense Date	NSF Award No.	Fiscal Year(s)
September 2019		2020
December 2019		2020
August 2020		2021
June 2022		2022
August 2022		2023
August 2022		2023
August 2022		2023
September 2022		2023
September 2022		2023

Source: Auditor summary of identified exceptions.

Non-Compliance with UNL's Project Verification Statement Process

UNL PIs did not verify the accuracy of three Project Verification Statements (PVSs) within 60 days of UNL generating the statements, as required per UNL's Post Award Policies and Procedures Manual,²¹ as illustrated in Table 17.

Table 17: Non-Compliance with UNL PVS Policy

Expense Date	NSF Award No.	Fiscal Year(s)	PVS Generated Date	PVS Approved Date	Days In Between Approval
March 2020		2020	11/02/2020	02/01/2021	91
June 2021		2021	9/01/2021	04/18/2022	229
March 2022		2022	12/01/2022	02/06/2023	67

Source: Auditor summary of identified exceptions.

Non-Compliance with UNL's Procurement Policies

UNL did not document its compliance with its procurement policies—which require the Director of Procurement Services' approval to issue contracts exceeding \$5,000²² and the

²⁰ According to UNL's *Post Award Policies and Procedures Manual* (REVISED APR 2021), Part II, Section 2.2.4, *LOC Awards – Quarterly Project Cost Review*, the Office of Sponsored Programs will review all journal entries posted to federal direct and federal pass-through grants and contracts on a quarterly basis.

²¹ According to UNL's *Post Award Policies and Procedures Manual* (REVISED APR 2021), the Office of Sponsored Programs' Post-Award team is responsible for generating and confirming that PVSs are verified by the responsible person or PI within 60 calendar days of UNL generating the PVS.

²² According to UNL's *Policy Procurement Services – Non-Competitive Purchase Policy*, the Director of Procurement Services is required to sign and approve all contracts for \$10,000 or more.

receipt of pricing or rate quotes when soliciting services between \$10,000 and \$150,000—when awarding contracts charged to two NSF awards,²³ as illustrated in Table 18.

Table 18: Non-Compliance with UNL Procurement Policies

NSF Award No.	Procurement Policy Compliance Exception	Contract Amount	Fiscal Year(s)	Notes
██████	Lack of Director of Procurement Services Approval on Contract	\$15,000	2021	a
██████	Lack of Pricing or Rate Quotes	\$12,000	2021	b

Source: Auditor summary of identified exceptions.

- a) In August 2020, UNL charged NSF Award No. ██████ for \$15,000 in contracted website services without documenting the Director of Procurement Services’ approval of the contract.
- b) In February 2021, UNL charged NSF Award No. ██████ for \$12,000 in contracted website services without maintaining documentation to support the pricing or rate quotes received when soliciting the contracted services.

Non-Compliance with UNL’s Travel Policy

UNL did not comply with its travel policy, which requires travelers to submit, and receive approval of, a Pre-Trip Request before creating travel arrangements, when reserving travel charged to one NSF award,²⁴ as illustrated in Table 19.

Table 19: Non-Compliance with UNL’s Travel Approval Policy

Expense Date	NSF Award No.	Fiscal Year	Travel Approval Policy Compliance Exception	Notes
November 2021	██████	2022	Pre-Travel Approval Not Obtained	a

Source: Auditor summary of identified exception.

- a) In November 2021, UNL charged NSF Award No. ██████ for travel expenses for non-university personnel traveling on behalf of the NSF award without completing, or obtaining approval for, Pre-Trip Requests.

Non-Compliance with UNL’s Transfer Request Form Policy

²³ According to UNL’s Policy Procurement Services – *Federal Uniform Guidance*, pricing or rate quotes must be obtained from an adequate number of sources for all purchases between \$10,000 and the **Simplified Acquisition Threshold**, which is currently \$150,000.

²⁴ According to UNL’s *Travel Policy*, all travelers are required to submit a Pre-Trip Request that must be approved before the traveler creates travel arrangements and before travel commences.

UNL did not comply with its Cost Transfer Form Policy, which requires UNL to use a cost transfer request form when transferring funds between funding sources,²⁵ when processing a cost transfer to one NSF award, as illustrated in Table 20.

Table 20: Non-Compliance with UNL's Transfer Request Form Policy

NSF Award No.	Fiscal Year	Transfer Request Policy Compliance Exception	Note
██████	2022	Transfer Request Form Not Completed	a

Source: Auditor summary of identified exception.

- a) In May 2022, UNL transferred \$1,796 in travel expenses to NSF Award No. ██████ without completing the appropriate cost transfer form.

Conclusion

UNL did not have sufficient policies, procedures, or internal controls in place to ensure it complied with its internal policies when charging expenses to NSF awards. Specifically, UNL did not always ensure that personnel consistently completed quarterly reviews of award expenses, that PIs approved PVSs within 60 days, that personnel followed all applicable procurement policies when procuring services charged to NSF awards, or that personnel completed appropriate forms prior to reserving travel or processing cost transfers. Because these instances of non-compliance did not directly result in UNL charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions; however, we are noting compliance exceptions for the 16 instances in which UNL did not comply with its quarterly review, PVS approval, procurement approval and documentation, pre-travel approval, and cost transfer documentation policies when charging costs to awards, as illustrated in Table 21.

Table 21: Finding 5 Summary: Non-Compliance with UNL Policies

NSF Award No.	Compliance Exception Identified	Fiscal Year(s)
██████	Non-Compliance with UNL Quarterly Review Process	2020
██████	Non-Compliance with UNL Quarterly Review Process	2020
██████	Non-Compliance with UNL Quarterly Review Process	2021
██████	Non-Compliance with UNL Quarterly Review Process	2022
██████	Non-Compliance with UNL Quarterly Review Process	2023
██████	Non-Compliance with UNL Quarterly Review Process	2023
██████	Non-Compliance with UNL Quarterly Review Process	2023
██████	Non-Compliance with UNL Quarterly Review Process	2023
██████	Non-Compliance with UNL Quarterly Review Process	2023
██████	Non-Compliance with UNL PVS Process	2020
██████	Non-Compliance with UNL PVS Process	2021

²⁵ According to UNL's Cost Transfer Request Form Policy – *Cost Transfer*, a cost transfer request form must be used when transferring funds between funding sources.

NSF Award No.	Compliance Exception Identified	Fiscal Year(s)
██████	Non-Compliance with UNL PVS Process	2022
██████	Non-Compliance with UNL Procurement Policy	2021
██████	Non-Compliance with UNL Procurement Policy	2021
██████	Non-Compliance with UNL Travel Policy	2022
██████	Non-Compliance with UNL Transfer Request Form Policy	2022

Source: Auditor summary of identified exceptions.

Recommendations

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

- 5.1 Direct UNL to implement additional procedures and controls necessary to ensure it complies with its internal policies when overseeing NSF awards. Updated controls should ensure UNL:
- Verifies that personnel perform and document a quarterly review of expenses for each NSF award each quarter.
 - Monitors for approaching project verification statement deadlines and develops procedures necessary to obtain approval of all project verification statements prior to the 60-day deadline.
 - Verifies that personnel obtain necessary contract approvals from the procurement department and receive, review, and maintain any required price and rate quotes prior to the final execution of a contract.
 - Verifies that personnel obtain appropriate approvals for Pre-Trip Requests prior to booking any travel.
 - Only approves cost transfers when documented and approved on the appropriate cost transfer form.

University of Nebraska - Lincoln Response: UNL did not agree or disagree with the finding. However, UNL did acknowledge the instances of non-compliance with UNL policies. UNL noted its commitment to strong internal controls and maintaining accountability and stated that it intends to implement additional training, enhanced tracking, oversight and monitoring controls, and additional internal controls to maintain policy compliance.

Auditors' Additional Comments: Our position regarding this finding has not changed.

AREA FOR IMPROVEMENT: INSUFFICIENT CONTROLS RELATED TO THE APPLICATION OF INDIRECT COST RATES

UNL does not have a formally documented policy or procedure in place to ensure it consistently charges indirect costs using a rate no greater than the NICRA rate(s) in effect

as of the NSF award date. Specifically, UNL does not have a formal process for documenting its decision to apply a proposed indirect cost rate when the proposed rate is different from the NICRA rate(s) effective at the time of award.

As a result, UNL did not document that it verified its use of its proposed indirect cost rates would not result in it overcharging indirect costs to 20 NSF awards, as illustrated in Table 22.

Table 22: Proposed Indirect Cost Rates Applied

NSF Award Number	Award Date	Transaction Date	Rate Applied (%)	Appropriate Rate (%) ^{26, 27, 28}
██████	07/24/2015	09/16/2022	51.0	53.5
██████	09/14/2015	05/29/2020	51.0	53.5
██████	01/27/2016	07/25/2022	51.0	53.5
██████	02/03/2016	08/31/2020	51.0	53.5
██████	04/18/2016	04/13/2020	45.5	46.5
██████	05/16/2016	07/30/2021	51.0	53.5
██████	05/31/2016	09/05/2019	51.0	53.5
██████	06/06/2016	04/28/2021	51.0	53.5
██████	06/10/2016	07/31/2020	51.0	53.5
██████	06/27/2016	05/27/2020	45.5	46.5
██████	07/30/2016	08/31/2022	51.0	53.5
██████	08/04/2016	07/31/2020	51.0	53.5
██████	08/25/2016	04/23/2020	51.0	53.5
██████	08/24/2018	03/21/2022	53.5	55.5
		06/30/2022		
██████	08/27/2018	06/30/2020	53.5	55.5
██████	08/29/2018	09/27/2019	32.5	33.5
		12/03/2019		
██████	08/30/2018	02/14/2022	53.5	55.5
██████	09/15/2018	10/08/2020	46.5	48.5
██████	09/20/2018	06/30/2022	46.5	48.5
██████	02/12/2019	04/08/2020	53.5	55.5

Source: Auditor summary of identified exceptions.

Conclusion

²⁶ UNL's NICRA dated September 19, 2012, established predetermined indirect cost rates of 51.00 percent for on-campus research and 45.50 percent for the AG Research Division from July 1, 2013, to June 30, 2015. The same predetermined on-campus and AG Research rates were provisional from July 1, 2015, until amended.

²⁷ UNL's NICRA dated February 12, 2016, established predetermined indirect cost rates of 53.50 percent for on-campus research, 46.50 percent for the AG Research Division, and 32.50 percent for the Cooperative Extensive Services Division from July 1, 2015, to June 30, 2018. The same predetermined rates were provisional from July 1, 2018, to June 30, 2020.

²⁸ UNL's NICRA dated December 17, 2018, established predetermined indirect cost rates of 55.50 percent for on-campus research and 48.50 percent for the AG Research Division from July 1, 2018, to June 30, 2021. The same predetermined on-campus rate was provisional from July 1, 2021, until amended.

Because these instances of UNL charging indirect costs using proposed rates did not directly result in UNL charging unallowable costs to NSF awards, we are not noting a finding. However, we are noting an **area for improvement**, as UNL's lack of a formal process and/or procedure for applying proposed indirect cost rates could cause it to charge unallowable costs to NSF awards if UNL's indirect cost rates were to decrease in the future.

Consideration

We suggest that NSF's Director of the Division of Institution and Award Support consider:

- Directing UNL to develop formal policies and/or procedures regarding how to verify—and document verification of—its election to use proposed indirect cost rates. This should address how UNL will ensure the decision to use proposed indirect cost rates will not result in UNL overcharging NSF for indirect costs in cases when negotiated rates decrease within a single NICRA or between the date an NSF award is proposed and the date it is awarded.

Sikich CPA LLC

December 23, 2024

APPENDIX A: UNL'S RESPONSE



December 6, 2024

To Sikich CPA LLP
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314

Attention: Andrew Holzer, CPA, CFE, CISA

Finding 1: Inadequately Supported Internal Service Center Expenses

In November 2019, UNL charged NSF Award No. [REDACTED] for \$2,957, invoiced by an internal service center for x-ray services. Although the services were invoiced consistent with the internal service center's biennially updated rate agreement, the invoice only supported \$2,679 in x-ray services, or \$278 less than the amount charged.

UNL Response:

UNL agrees that we were unable to locate adequate documentation supporting \$278 in costs charged to one NSF award, and thus, we agree to reimburse the NSF. UNL employs appropriate document retention controls and will continue to strengthen our controls and training.

In September 2020, UNL charged NSF Award No. [REDACTED] for \$1,125 invoiced by an internal service center expenses for materials. Although the materials were invoiced consistent with the internal service center's biennially updated rate agreement, the invoice only supported \$971 of materials, or \$154 less than the amount charged.

UNL Response:

UNL agrees that we were unable to locate adequate documentation supporting \$154 in costs charged to one NSF award, and thus, we agree to reimburse the NSF. UNL employs appropriate document retention controls and will continue to strengthen our controls and training.

Between May 2021 and August 2022, UNL charged NSF Award No. [REDACTED] for \$87,451, invoiced by an internal service center for mileage claimed on a vehicle owned by UNL. UNL policies require internal service centers that charge more than \$10,000 to obtain an annual service center review and approval of the internal service center rate. Charges less than \$10,000 receive an informal review, but the rate is considered "unreviewed" per the Service Center Annual Review form. Although the service center charged more than \$10,000, it received an informal review and was considered "unreviewed". As such, UNL did not obtain the formal review approval required, in accordance with UNL policy.



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UNL Response:

UNL agrees the appropriate reviews were not completed and respectfully request this finding recategorize as Non-Compliance with UNL policies under Finding 5. UNL will strengthen procedures for reviewing service centers and tracking their reviews.

In June 2021, UNL charged NSF Award No. [REDACTED] for \$4,982, invoiced by an internal service center using rates and mark-up percentages that were not supported by the internal service center's rate sheet.

UNL Response:

UNL agrees an unapproved rate was charged, resulting in \$4,982 in costs charged to one NSF award. Thus, we agree to reimburse the NSF. UNL will strengthen internal controls and guidance to ensure approved rates are charged.

In September 2021, UNL charged NSF Award No. [REDACTED] for \$2,575, invoiced by an internal service center for lab access. The internal service center's biennially updated rate agreement established a "before 5pm" rate of \$35 per hour and an "after 5pm" rate of \$25 per hour. However, the service center charged all hours using a blended rate not included on the approved rate agreement. As the \$2,575 charged was less than the \$2,980 that would have been charged using the approved rates, we are not questioning costs.

UNL Response:

UNL agrees an unapproved rate was charged. UNL will strengthen internal controls and guidance to ensure approved rates are charged.

NSF Award No.	Unallowable Total	UNL Response
[REDACTED]	\$278	UNL agrees to reimburse the NSF
[REDACTED]	\$154	UNL agrees to reimburse the NSF
[REDACTED]	\$87,451	UNL agrees to reimburse the NSF
[REDACTED]	\$4,982	UNL agrees to reimburse the NSF
[REDACTED]	-	

Finding 2: Inappropriately Allocated Expenses

Inappropriately Allocated Salary and Fringe Expenses

UNL acknowledges the error in charging \$43,736 in salaries and fringe benefits to NSF Award No. [REDACTED] due to an incorrect Personnel Action Form. The oversight was a result of staff turnover and retirements, which temporarily disrupted administrative processes. The error was identified during the audit, and the unallocable charges were promptly removed and transferred to the correct funding source in March 2023.



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To prevent recurrence, UNL has strengthened internal controls, implemented enhanced review procedures, and initiated training for new staff to ensure compliance with federal guidelines and financial accountability.

Inappropriately Allocated Publication Expenses

UNL respectfully disagrees with the assumption that acknowledging multiple funding sources in a publication inherently signifies equal contribution to published research. Acknowledgments often serve to recognize funding sources that have supported various stages or elements of a researcher's work over time and do not necessarily denote a direct contribution to the specific outcomes presented in the publication.

Moreover, the assertion that publication costs should be split between awards solely because both were active at the time of the expense lacks a sufficient basis in policy or established cost allocation principles. The temporal overlap of funding sources does not, in itself, provide evidence that both awards contributed to the publication. Allocability of costs to a federal award must be based on a direct and causal relationship between the work funded by the award and the expenditure incurred, as outlined in federal cost principles under 2 CFR 200.405.

In November 2019, UNL charged NSF Award No. [REDACTED] for \$2,426 - or 100 percent - in expenses incurred to publish research that acknowledged two NSF funding sources. As both funding sources were managed by UNL, were open at the time of the publication, and UNL acknowledged that work done on both awards contributed to the published research, \$1,213 - or 50.00 percent - of the publication costs are not allocable to NSF Award No. [REDACTED]

UNL Response:

UNL asserts that the publication costs charged to NSF Award No. [REDACTED] are appropriately allocable and supported by the acknowledgment provided in the manuscript. While the research utilized the facilities of both the [REDACTED] and [REDACTED] supported by NSF Award No. [REDACTED] and the [REDACTED], supported by NSF Award No. [REDACTED] the acknowledgment specifically attributes the research on the synthesis and characterization of [REDACTED]—the primary focus of the publication—to [REDACTED] funding through NSF Award No. [REDACTED]

Additionally, none of the Principal Investigators (PIs) listed under NSF Award No. [REDACTED] were authors of the manuscript. This further indicates that NSF Award No. [REDACTED] did not play a substantive role in the intellectual contributions leading to the publication. While the acknowledgment recognizes the use of facilities supported by NSF Award No. [REDACTED] this does not establish a direct allocable contribution of that award to the published research.



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As outlined in 2 CFR 200.405, costs must be allocable to an award based on the specific benefit derived, which in this case is clearly attributable to NSF Award No. [REDACTED]

UNL respectfully maintains that the \$2,426 charged to NSF Award No. [REDACTED] represents the allocable portion of publication costs, consistent with federal cost principles and the intellectual contributions attributed to the award.

In June 2020, UNL allocated 50 percent of a \$6,795 publication expense to NSF Award No. [REDACTED] and 50 percent to NSF Award No. [REDACTED] for expenses incurred to publish research that acknowledged four funding sources. Although both NSF Award Nos. [REDACTED] and [REDACTED] were identified as funding sources, UNL acknowledged two additional funding sources, which were also managed by UNL and open at the time of the publication. UNL also acknowledged that work performed on all four awards contributed to the published research. As such, we reasonably determined that \$1,699 - or 50.00 percent - of the publication costs charged to NSF Award No. [REDACTED] and \$1,699 - or 50.00 percent - of the publication costs charged to NSF Award No. [REDACTED] do not appear allocable to those NSF awards and are allocable to the two additional funding sources.

UNL Response:

UNL respectfully maintains that the publication expenses allocated to NSF Awards No. [REDACTED] and No. [REDACTED] are appropriate and comply with federal cost principles. While the manuscript acknowledges contributions from the [REDACTED] and the [REDACTED], these acknowledgments were made at the [REDACTED] request, as is customary for projects utilizing their facilities or resources, regardless of whether the [REDACTED] provided direct funding or substantive support to the specific research outcomes.

The acknowledgment further clarifies the direct funding sources for the research, explicitly stating that the work was supported by NSF Awards No. [REDACTED] and No. [REDACTED]. The principal investigator, [REDACTED], is the named recipient of NSF Award No. [REDACTED] and the acknowledgment specifies that this award directly supported [REDACTED] research contributions to the manuscript. NSF Award No. [REDACTED] is similarly credited for supporting additional aspects of the research. In contrast, the two [REDACTED] were acknowledged because portions of the project utilized their facilities but did not receive direct funding or support from these [REDACTED] for the published research.

As per 2 CFR 200.405, costs must be allocated to federal awards based on the relative benefits provided. In this case, the direct intellectual and financial contributions of NSF Awards No. [REDACTED] and No. [REDACTED] to the research justify the allocation of publication costs to these awards. The acknowledgments of the [REDACTED] do not imply allocability or



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a requirement to split costs further, particularly when these [REDACTED] did not provide direct financial support for the research.

UNL stands by the 50/50 allocation of the publication expenses to NSF Awards No. [REDACTED] and No. [REDACTED] as appropriate and in full compliance with applicable cost principles and federal guidelines.

In September 2020, UNL charged NSF Award No. [REDACTED] for \$8,258 - or 100 percent - in expenses incurred to publish research that acknowledged three NSF funding sources. All three funding sources were managed by UNL, and they were open at the time of the publication. In addition, UNL acknowledged that work performed on all three awards contributed to the published research. Because of this, \$5,506 - or 66.67 percent - of the publication costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the two additional funding sources.

UNL Response:

UNL respectfully maintains that the publication costs charged to NSF Award No. [REDACTED] are appropriately allocable based on the significant contributions this award made to the published research. The three NSF funding sources cited in the acknowledgment—[REDACTED]—provided distinct and complementary support for various aspects of the research, including student funding and resource utilization. While all three NSF awards are acknowledged, the primary funding and intellectual contributions for the published research are directly attributable to NSF Award No. [REDACTED]

The acknowledgment provided in the manuscript serves to recognize funding sources that supported various aspects of the work, such as research infrastructure and resources, but it does not establish a proportional contribution by all acknowledged awards. For example, NSF Award No. [REDACTED] is explicitly linked to the primary investigators ([REDACTED]) responsible for the core research and manuscript preparation, justifying the allocation of publication costs to this award.

It is also important to note that the publication acknowledges additional non-NSF funding sources, including [REDACTED] and [REDACTED] which further demonstrates that acknowledgment does not equate to allocability. As per federal cost principles in 2 CFR 200.405, costs must be assigned to the funding source that directly benefits from the expenditure. In this case, the charge to NSF Award No. [REDACTED] reflects its significant and direct support of the published work.



UNL remains committed to ensuring compliance with federal guidelines and proper cost allocation. Based on the evidence provided, the \$8,258 publication cost charged to NSF Award No. [REDACTED] is consistent with allocability requirements and accurately reflects the primary contributions of this award to the published research.

In September 2020, UNL charged NSF Award No. [REDACTED] for \$7,200 - or 100 percent - in expenses incurred to publish research that acknowledged one NSF funding source and one non-NSF funding source. Both funding sources were managed by UNL and were open at the time of the publication. In addition, the documentation provided was not sufficient to support the work performed on both awards did not contribute to the published research. Because of this, \$3,600 - or 50.00 percent - of the publication costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the other funding source.

UNL Response:

UNL respectfully maintains that the \$7,200 publication expense charged to NSF Award No. [REDACTED] is appropriately allocable based on the significant contributions this award made to the research presented in the publication. The acknowledgment provided explicitly states that the work was supported by NSF Award No. [REDACTED], emphasizing its direct role in funding the research outcomes documented in the manuscript.

While the publication also acknowledges partial support from [REDACTED] under [REDACTED], this acknowledgment reflects secondary or complementary support rather than a direct contribution to the specific research outcomes funded by NSF Award No. [REDACTED]. As per federal cost principles outlined in 2 CFR 200.405, costs must be allocated based on the specific benefits received by each funding source. The primary findings and intellectual contributions presented in the publication were directly supported by NSF Award No. [REDACTED], justifying the allocation of the full publication expense to this award.

It is important to recognize that acknowledgments do not inherently imply a proportional contribution to the work or require allocation of costs between funding sources. Acknowledgments often serve to broadly recognize all forms of support, including infrastructure, student training, or other resources, without establishing a direct causal link to the specific publication costs.

UNL acknowledges the importance of robust documentation to substantiate allocability and commits to improving its processes to ensure greater clarity in future cases. However, based on the available evidence and the documented role of NSF Award No. [REDACTED] in directly supporting the research, we firmly believe the current allocation of publication costs is appropriate and consistent with federal guidelines.



In April 2021, UNL charged NSF Award No. [REDACTED] \$2,149 - or 100 percent - in expenses incurred to publish research that acknowledged one NSF funding source and one non-NSF funding source. Both funding sources were managed by UNL and were open at the time of the publication. In addition, UNL acknowledged that work performed on both awards contributed to the published research. Because of this, \$1,075 - or 50.00 percent - of the publication costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the other funding source.

UNL Response:

UNL acknowledges that both projects contributed to the published manuscript; however, the contribution of the non-NSF project was minimal and did not warrant allocation of publication costs. The primary findings and intellectual contributions presented in the manuscript were directly supported by NSF Award No. [REDACTED], making the associated publication costs appropriately allocable under federal cost principles outlined in 2 CFR 200.405.

It is important to note that acknowledgment in a publication does not inherently imply a proportional contribution or a requirement to allocate costs between funding sources. Acknowledgments often serve as recognition for broad support rather than as evidence of direct allocability to specific outcomes. Additionally, UNL highlights that the [REDACTED]-funded project also resulted in a publication that acknowledged NSF Award No. [REDACTED] despite the NSF project contributing minimally to that work. This reinforces the precedent that acknowledgment does not equate to direct allocability.

UNL remains committed to ensuring that costs are allocated in compliance with federal guidelines and based on demonstrable benefit to the award. In this instance, we believe that the \$2,149 charged to NSF Award No. [REDACTED] accurately reflects its allocable share of the publication expenses.

In September 2021, UNL charged NSF Award No. [REDACTED] for \$6,873 - or 100 percent - in expenses incurred to publish research that acknowledged three NSF funding sources. All three funding sources were managed by UNL and were open at the time of the publication. In addition, UNL acknowledged that work performed on all three awards contributed to the published research. Because of this, \$4,583 - or 66.67 percent - of the publication costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the two other funding sources.

UNL Response:

UNL respectfully asserts that the \$6,873 publication expense charged to NSF Award No. [REDACTED] is appropriately allocable based on the significant and direct contributions this award made to the research presented in the publication. While the acknowledgment references additional NSF-funded [REDACTED] and a [REDACTED]



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these acknowledgments reflect broader institutional or complementary support rather than direct contributions to the research outcomes supported by NSF Award No. [REDACTED]

Specifically, NSF [REDACTED], such as the [REDACTED], mentioned, do not typically permit publication costs as allowable expenses, making it inappropriate to allocate any portion of these costs to that funding source. Similarly, the NSF-funded [REDACTED] mentioned—such as the [REDACTED]—encourage PIs to acknowledge their use, regardless of whether their involvement was minimal or extensive. These acknowledgments do not imply a direct, allocable contribution of the centers to the specific publication costs incurred.

The acknowledgment of NSF Award No. [REDACTED] as part of a [REDACTED] grant, underscores its direct and substantial support for the research and associated publication. As per 2 CFR 200.405, costs must be allocated to the funding source that derives the primary benefit. The publication costs incurred reflect the significant intellectual and financial contributions of NSF Award No. [REDACTED], justifying the allocation of the full expense to this award.

UNL recognizes the importance of robust documentation to substantiate allocability and commits to enhancing its processes to provide greater clarity in future cases. However, based on the acknowledgment, the role of NSF Award No. [REDACTED] and federal cost principles, UNL maintains that the allocation of the publication costs to this award is appropriate and consistent with applicable guidelines.

In July 2022, UNL charged NSF Award No. [REDACTED] for \$3,314 - or 100 percent - in expenses incurred to publish research that acknowledged five NSF funding sources and one non-NSF funding source. All six funding sources were managed by UNL and were open at the time of the publication. In addition, UNL acknowledged that work performed on all six awards contributed to the published research. Because of this, \$2,762 - or 83.33 percent - of the publication costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the other five funding sources.

UNL Response:

UNL respectfully maintains that the \$3,314 publication expense charged to NSF Award No. [REDACTED] is appropriately allocable based on the significant and direct contributions this award made to the research documented in the publication. While the acknowledgment references additional NSF and non-NSF funding sources, this acknowledgment primarily serves to recognize complementary support, infrastructure, and supplemental funding rather than to indicate direct financial contributions to the specific research outcomes reported in the publication.



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The acknowledgment as written does not suggest that the other cited awards financially benefited the publication or its associated research outputs. For example, many of the referenced awards, such as those related to supplemental funding (e.g., the NSF [REDACTED], supported specific personnel or activities that are tangential to the core focus of the research. Similarly, facilities like the [REDACTED] were acknowledged for providing access to infrastructure but do not reflect direct financial support for the publication costs.

NSF Award No. [REDACTED] on the other hand, is explicitly linked to the primary investigator ([REDACTED]) and is central to the work presented. This award's scope, as detailed in the acknowledgment, aligns with the intellectual contributions and objectives underpinning the research. Under federal cost principles outlined in 2 CFR 200.405, publication expenses must be allocated to the funding source that derives the primary benefit. In this case, NSF Award No. [REDACTED] directly supported the majority of the research activities and outcomes, justifying the allocation of the full publication cost.

UNL recognizes the importance of clear documentation to demonstrate allocability and is committed to improving its practices for enhanced clarity and compliance in the future. However, based on the content of the acknowledgment and the significant role of NSF Award No. [REDACTED] UNL firmly believes that the allocation of the publication expense to this award is appropriate and consistent with applicable federal guidelines.

In September 2022, UNL charged NSF Award No. [REDACTED] for \$3,384 - or 100 percent - in expenses incurred to publish research that acknowledged two NSF funding sources. Both funding sources were managed by UNL and were open at the time of the publication. In addition, UNL acknowledged that work performed on both awards contributed to the published research. Because of this, \$1,692 - or 50.00 percent - of the costs are not allocable to NSF Award No. [REDACTED] and appears allocable to the other funding source.

UNL Response:

UNL respectfully asserts that the \$3,384 publication expense charged to NSF Award No. [REDACTED] is allocable based on the significant role this award played in directly supporting the research presented in the publication. While the acknowledgment references an additional NSF funding source, this recognition does not establish a proportional contribution or allocability to the publication costs.

Acknowledgments often serve to broadly credit funding sources that supported complementary aspects of a research project, such as facilities, personnel, or supplemental activities, without necessarily implying direct financial responsibility for specific outcomes, such as publication expenses. In this case, NSF Award No. [REDACTED] is the primary funding source for the intellectual and scientific contributions that underpin the published work.



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As per 2 CFR 200.405, costs must be allocated based on the benefit derived by the funding source. The research outcomes presented in the publication align most closely with the scope and objectives of NSF Award No. [REDACTED]. The secondary award, while acknowledged for its broader support, did not provide direct or substantial financial benefit to the specific outcomes reported in the manuscript.

UNL recognizes the importance of robust documentation to demonstrate allocability and commits to enhancing its processes to provide greater clarity in future cases. However, given the evidence of the primary contribution of NSF Award No. [REDACTED] to the published research, UNL maintains that the allocation of the full publication expense to this award is appropriate and consistent with federal cost principles.

NSF Award No.	Unallowable Total	UNL Response
[REDACTED]	\$43,736	UNL agrees to reimburse the NSF
[REDACTED]	\$1,213	UNL disagrees with this funding, as noted above
[REDACTED]	\$1,699	UNL disagrees with this funding, as noted above
[REDACTED]	\$1,699	UNL disagrees with this funding, as noted above
[REDACTED]	\$5,506	UNL disagrees with this funding, as noted above
[REDACTED]	\$3,600	UNL disagrees with this funding, as noted above
[REDACTED]	\$1,075	UNL disagrees with this funding, as noted above
[REDACTED]	\$4,583	UNL disagrees with this funding, as noted above
[REDACTED]	\$2,762	UNL disagrees with this funding, as noted above
[REDACTED]	\$1,692	UNL disagrees with this funding, as noted above
[REDACTED]	\$10,399	UNL disagrees with this funding, as noted above
[REDACTED]	\$2,680	UNL disagrees with this funding, as noted above
[REDACTED]	-	

Finding 3: Unallowable Expenses

Unallowable Use of Participants Support Funds

UNL acknowledges the unallowable use of \$13,123 in participant support funds without prior NSF approval. The expenses have been identified, and UNL has agreed to reimburse the NSF. To prevent recurrence, UNL has enhanced training and strengthened oversight to ensure compliance with NSF participant support requirements and approval processes.

Unallowable Publication Expenses

In March 2022, UNL charged NSF Award No. [REDACTED] \$2,480 in expenses incurred to publish research that did not acknowledge support from NSF Award No. [REDACTED]

UNL Response:



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UNL acknowledges that NSF Award No. [REDACTED] was not explicitly cited in the publication's acknowledgment section, and we understand the importance of ensuring alignment between funding source acknowledgment and the allocation of publication expenses. However, UNL asserts that the charge is appropriate based on the direct and substantial support NSF Award No. [REDACTED] provided for the research outcomes documented in the publication.

The absence of a specific acknowledgment of NSF Award No. [REDACTED] does not necessarily indicate that the award did not contribute to the research. In this case, oversight in the acknowledgment section resulted in the accidental omission of the funding source. UNL confirms that NSF Award No. [REDACTED] directly supported critical aspects of the research, including funding for personnel, facilities, or data collection, which underpinned the publication.

UNL is committed to strengthening its processes to ensure that all applicable funding sources are accurately acknowledged in future publications. Additionally, we will work with researchers and authors to provide more thorough and consistent documentation of the contributions of each funding source to align with federal cost principles outlined in 2 CFR 200.405.

In this instance, UNL maintains that the \$2,480 charged to NSF Award No. [REDACTED] is allocable based on the significant role the award played in supporting the research and is consistent with applicable federal guidelines.

Unallowable Salary and Fringe Expenses

UNL Response:

UNL acknowledges the error in charging \$3,020 in salary and fringe expenses to NSF Award No. [REDACTED] for work performed after the award's period of performance (POP) had expired. This was an oversight, and UNL agreed to reimburse the NSF.

To prevent recurrence, UNL has implemented enhanced controls to ensure expenses are reviewed for alignment with award POPs, including additional training for staff and improved monitoring processes. We remain committed to maintaining compliance with NSF guidelines and ensuring financial accountability.

Unallowable Equipment Expenses

UNL Response:

UNL acknowledges the error in charging \$2,088 in equipment expenses to NSF Award No. [REDACTED] which the PI later confirmed did not benefit the award.



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To prevent recurrence, UNL has strengthened its expense review processes, provided additional training to staff and PIs on allowable costs, and implemented enhanced oversight to ensure expenses directly benefit the awards charged. We are committed to maintaining compliance with NSF guidelines and ensuring proper stewardship of federal funds.

NSF Award No.	Unallowable Total	UNL Response
	\$3,884	UNL agrees to reimburse the NSF
	\$5,902	UNL agrees to reimburse the NSF
	\$1,606	UNL agrees to reimburse the NSF
	\$868	UNL agrees to reimburse the NSF
	\$863	UNL agrees to reimburse the NSF
	\$1,827	UNL agrees to reimburse the NSF
	\$2,480	UNL disagrees with this funding, as noted above
	\$3,020	UNL agrees to reimburse the NSF
	\$2,088	UNL agrees to reimburse the NSF

Finding 4: Indirect Cost Rate Not Appropriately Applied

Indirect Cost Rate Not Applied to Appropriate MTDC Base

UNL Response:

UNL acknowledges the finding regarding the inconsistent application of the indirect cost rate to the MTDC base for one NSF award. This was an administrative oversight, and UNL has taken corrective action to review and adjust the indirect cost calculation to align with the terms of its Negotiated Indirect Cost Rate Agreement (NICRA) and federal regulations.

To prevent recurrence, UNL has enhanced its review processes for indirect cost calculations, provided additional training to staff on applying indirect cost rates, and implemented improved monitoring systems to ensure compliance with NICRA terms across all awards. UNL remains committed to ensuring adherence to federal regulations and maintaining financial accountability.

Finding 5: Non-Compliance with UNL Policies

Non-Compliance with UNL Quarterly Review Process

UNL Response:

UNL acknowledges the finding regarding the lack of documentation to support the inclusion of nine sampled expenses in the quarterly project cost reviews, as required by



UNL's Post Award Policies and Procedures Manual. This oversight occurred due to gaps in recordkeeping and review processes.

To prevent recurrence, UNL has implemented improvements to its quarterly review process, including the establishment of an award setup team that ensures expenses are properly documented and included in required reviews. Additionally, we have reinforced staff training on review procedures and enhanced tracking systems to ensure compliance with institutional policies. UNL remains committed to strengthening internal controls and maintaining accountability.

Non-Compliance with UNL's Project Verification Statement Process

UNL acknowledges the finding regarding the delayed verification of three Project Verification Statements (PVSs) by PIs, which did not occur within the 60-day timeframe required by UNL's Post Award Policies and Procedures Manual. This oversight was due to challenges in monitoring and enforcing compliance with the verification process.

To prevent recurrence, UNL has implemented enhanced tracking and reminder systems to ensure the timely completion of PVS reviews. Additionally, PIs will receive updated guidance and training on their responsibilities. UNL remains committed to ensuring compliance with institutional policies and maintaining financial accountability.

Non-Compliance with UNL's Procurement Policies

UNL acknowledges the finding regarding the lack of documentation to demonstrate compliance with its procurement policies for contracts charged to two NSF awards. Specifically, the Director of Procurement Services' approval and required pricing or rate quotes for services between \$10,000 and \$15,000 were not adequately documented.

To prevent recurrence, UNL has implemented enhanced oversight procedures to ensure compliance with procurement policies, including a requirement for centralized documentation and verification of approvals and quotes before contract execution. Additionally, staff have received updated training on procurement requirements. UNL remains committed to maintaining compliance with institutional policies and federal guidelines.

Non-Compliance with UNL's Travel Policy

UNL acknowledges the finding regarding non-compliance with its travel policy for one NSF award, where a Pre-Trip Request was not submitted and approved before travel arrangements were made. This oversight occurred due to a lapse in adherence to established procedures.



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To prevent recurrence, UNL has reinforced its travel policy requirements by implementing additional training for staff and travelers on pre-trip approval processes. UNL is committed to maintaining accountability and compliance with its travel procedures and federal guidelines.

Non-Compliance with UNL's Cost Transfer Form Policy

UNL acknowledges the finding regarding non-compliance with its Cost Transfer Form Policy when processing a cost transfer to one NSF award. The required cost transfer request form was not used, resulting in a lapse in adherence to institutional procedures.

To prevent recurrence, UNL has reinforced its cost transfer policies by providing additional training to staff on proper procedures and emphasizing the importance of using the required forms. Additionally, internal controls have been strengthened to ensure all cost transfers are properly documented and comply with institutional and federal guidelines. UNL remains committed to maintaining accountability and compliance.



K. Sam Mombou, PhD, MBA, CRA

Director of Sponsored Programs



Lacey Rohe

Associate Vice Chancellor & Controller



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APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The NSF OIG Office of Inspections, Evaluations & Agile Products (formerly the Office of Audits) engaged Sikich CPA LLC (formerly known as Cotton & Company Assurance and Advisory, LLC, and herein referred to as “we”) to conduct an audit of the costs that the University of Nebraska – Lincoln (UNL) claimed on NSF awards during the audit period of performance (POP) of October 1, 2019, through September 30, 2022. The objectives of the audit were to evaluate UNL’s award management environment; determine if costs claimed are allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and applicable federal financial assistance requirements; determine whether any further audit work was warranted and recommend a path forward as described in the task order Performance Work Statement; and perform any additional audit work as determined appropriate.

SCOPE

The audit population included approximately \$71.1 million in expenses UNL claimed on 328 NSF awards during our audit POP of October 1, 2019, through September 30, 2022.

METHODOLOGY

Based on the objectives and scope of the audit, we conducted this engagement in two phases, as follows:

Audit Survey Phase

After obtaining NSF OIG’s approval for our audit plan, we performed the audit survey steps outlined in the original audit plan. Generally, these steps included:

- Assessing the reliability of the general ledger (GL) data UNL provided by comparing the costs charged to NSF awards per UNL’s accounting records to the reported net expenditures reflected in its NSF Award Cash Management Service (ACM\$) drawdown requests.
 - Our work required us to rely on computer-processed data obtained from UNL and NSF OIG. NSF OIG provided award data that UNL reported through NSF’s ACM\$ during our audit period.
 - We assessed the reliability of the GL data that UNL provided by (1) comparing the costs charged to NSF awards per UNL’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that UNL submitted to NSF during the audit POP; and (2) reviewing the parameters that UNL used to extract transaction data from its accounting systems. We found UNL’s computer-processed data to be sufficiently reliable for the purposes of the audit. We did not identify any exceptions with the parameters that UNL used to extract the accounting data.
 - We found NSF’s computer-processed data to be sufficiently reliable for the purposes of this audit. We did not review or test whether the data contained in NSF’s databases or the controls over NSF’s databases were accurate or reliable;

however, the independent auditor's report on NSF's financial statements for fiscal year (FY) 2022 found no reportable instances in which NSF's financial management systems did not substantially comply with applicable requirements.

- UNL provided detailed transaction-level data to support \$71,139,412 in costs charged to NSF awards during the POP, which was greater than the \$71,084,279 UNL claimed in ACM\$ for the 328 awards. This data resulted in a total audit universe of \$71,139,412 in expenses claimed on 328 NSF awards.
 - We identified a \$55,133 difference across 20 NSF awards. We reviewed each variance and noted in each case that UNL provided more GL detail than it had claimed within the POP. Specifically, UNL provided more GL detail at the beginning and the end of the scope, resulting in additional GL that UNL claimed outside the audit scope. As such, we determined the amounts to be immaterial.
 - Because the GL data materially reconciled to NSF's ACM\$ records, we determined that the GL data was appropriate for the purposes of this engagement.
- Obtaining and reviewing all available accounting and administrative policies and procedures, external audit reports, desk review reports, and other relevant information that UNL and NSF OIG provided, as well as any other relevant information that was available online.
- Summarizing our understanding of federal, NSF, and UNL-specific policies and procedures surrounding costs budgeted for or charged to NSF awards and identifying the controls in place to ensure that costs charged to sponsored projects were reasonable, allocable, and allowable.
- In planning and performing this audit, we considered UNL's internal controls within the audit's scope solely to understand the directives or policies and procedures UNL has in place to ensure that charges against NSF awards complied with relevant federal regulations, NSF award terms and conditions, and UNL policies.
- Providing UNL with a list of 45 transactions that we selected based on the results of our data analytics and requesting that UNL provide documentation to support each transaction.

- Reviewing the supporting documentation UNL provided and requesting additional documentation as necessary to ensure we obtained sufficient, appropriate evidence to assess the allowability of each sampled transaction under relevant federal,²⁹ NSF,³⁰ and UNL policies.³¹
- Holding virtual interviews and walkthroughs with UNL in June 2023 to discuss payroll (including fringe benefits and effort reporting), travel, participant support costs, procurement, equipment (including an inventory check), other direct costs (e.g., publications, computer services, conference/workshop expenses, honorarium, gift cards, maintenance and repair costs, rental costs, basic administrative and operational costs, scholarship/tuition costs, service facility costs, training/education costs, program income, and unallowable costs), subawards, ACM\$ processing, indirect costs, and other general policies (e.g., pre- and post-award costs, program income, whistleblower information, research misconduct, and conflict of interest policies).
- Preparing an organizational risk assessment that: (1) summarized the results of our planning/initial fieldwork; (2) included areas of elevated risk of noncompliance that we identified in the organization's award management environment; and (3) contained our recommendations for expanded testing.

Expanded Testing Audit Phase

Based on the areas of elevated risk of noncompliance identified during the audit survey phase, we determined that we should perform further audit procedures that included:

- Determining whether travel costs incurred during the COVID-19 pandemic were appropriately pre-approved and charged in compliance with NSF and federal terms and conditions and/or relevant Office of Management and Budget (OMB) COVID-19 flexibilities.
- Evaluating whether costs charged to NSF awards during the final six months of the award's POP were reasonably allocated to NSF awards.
- Evaluating whether consultant services were appropriately procured, paid consistent with applicable service contracts, reasonable, and necessary for the completion of NSF award objectives.
- Evaluating whether equipment expenses were appropriately allocated to NSF awards based on the relative benefits received by the award(s) charged.

²⁹ We assessed UNL's compliance with 2 CFR § 200 and Revised 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as appropriate.

³⁰ We assessed UNL's compliance with NSF PAPPs 16-1, 17-1, 18-1, 19-1, 20-1, and 22-1, and with NSF award-specific terms and conditions, as appropriate.

³¹ We assessed UNL's compliance with internal UNL policies and procedures surrounding costs budgeted for or charged to NSF awards.

- Evaluating summer salary expenses were appropriately established based on the employee's institutional base salary and allocated to NSF awards based on the employee's actual effort.
- Conducting additional fieldwork, which included providing the list of 38 transactions to UNL and requesting and reviewing supporting documentation until we had obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
- Conducting additional audit work in three areas to evaluate whether UNL appropriately: (1) re-budgeted participant support, (2) allocated publication costs across the appropriate funding sources, and (3) used a reviewed/approved rate sheet for internal service centers.

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided the summary to UNL personnel to ensure that UNL was aware of each of our findings and that it did not have additional documentation to support the questioned costs.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C: SUMMARY OF QUESTIONED COSTS

Appendix C, Table 1: Schedule of Questioned Costs by Finding

Finding	Description	Questioned Costs		
		<i>Unsupported</i>	<i>Unallowable</i>	<i>Total</i>
1	Inadequately Supported Internal Service Center Expenses	\$0	\$92,865	\$92,865
2	Inappropriately Allocated Expenses	-	80,644	80,644
3	Unallowable Expenses	-	22,538	22,538
4	Indirect Cost Rate Inappropriately Applied	-	-	-
5	Non-Compliance with UNL Policies	-	-	-
Total		<u>\$0</u>	<u>\$196,047</u>	<u>\$196,047</u>

Source: Auditor summary of questioned costs by finding.

Appendix C, Table 2: Summary of Questioned Costs by NSF Award Number

NSF Award No.	No. of Transaction Exceptions	Questioned Direct Costs	Questioned Indirect Costs	Questioned Total	UNL Agreed to Reimburse
██████	7	10,348	4,016	14,364	2,752
██████	2	1,121	571	1,692	-
██████	1	2,000	1,020	3,020	3,020
██████	1	1,125	574	1,699	-
██████	1	-	-	-	-
██████	2	1,383	705	2,088	2,088
██████	1	-	-	-	-
██████	1	-	-	-	-
██████	1	3,587	1,919	5,506	-
██████	1	100	54	154	154
██████	1	700	375	1,075	-
██████	2	56,971	30,480	87,451	87,451
██████	1	1,125	574	1,699	
██████	1	-	-	-	-
██████	1	-	-	-	-
██████	1	3,884	-	3,884	3,884
██████	1	4,684	1,218	5,902	5,902
██████	1	1,595	885	2,480	-
██████	1	3,355	1,627	4,982	4,982
██████	2	4,319	1,123	5,442	-
██████	1	1,175	652	1,827	1,827
██████	1	-	-	-	-
██████	1	-	-	-	-
██████	1	2,947	1,636	4,583	-
██████	1	-	-	-	-
██████	1	-	-	-	-
██████	2	2,500	1,100	3,600	-
██████	2	-	-	-	-
██████	1	-	-	-	-
██████	1	28,126	15,610	43,736	43,736
██████	2	863	-	863	863
Total	44	\$ 131,908	\$ 64,139	\$ 196,047	\$ 156,659

Source: Auditor summary of questioned costs by NSF award number.

Appendix C, Table 3: Summary of Questioned Costs by NSF Award Number and Expense Description

Finding No.	NSF Award No.	Description	Fiscal Year(s)	Direct	Indirect	Total	UNL Agreed to Reimburse
1) Inadequately Supported Internal Service Provider Rates	██████	November 2019 Internal Service Expense	2020	\$184	\$94	\$278	\$278
	██████	September 2020 Internal Service Expense	2021	100	54	154	154
	██████	May 2021 – August 2022 Internal Service Expense	2021 - 2023	56,971	30,480	87,451	87,451
	██████	June 2021 Internal Service Expense	2021	3,355	1,627	4,982	4,982
	██████	September 2021 Internal Service Expense	2022	-	-	-	-
2) Inappropriately Allocated Expenses	██████	August 2022 Salaries and Wages	2023	28,126	15,610	43,736	43,736
	██████	November 2019 Publication	2020	803	410	1,213	-
	██████	June 2020 Publication	2020	1,125	574	1,699	-
	██████			1,125	574	1,699	-
	██████	September 2020 Publication	2021	3,587	1,919	5,506	-
	██████	September 2020 Publication	2021	2,500	1,100	3,600	-
	██████	April 2021 Publication	2021	700	375	1,075	-
	██████	September 2021 Publication	2022	2,947	1,636	4,583	-
	██████	July 2022 Publication	2022	2,192	570	2,762	-
	██████	September 2022 Publication	2023	1,121	571	1,692	-
	██████	September 2021 Annual Lease for Computer Nodes	2022	6,887	3,512	10,399	-
	██████	August 2022 Materials and Supplies	2023	2,127	553	2,680	-

	██████	April 2020 Equipment	2020	-	-	-	-
3) Unallowable Expenses	██████	March 2020 Conference Lodging	2020	\$3,884	\$0	\$3,884	3,884
	██████	June 2021 Non-Participant Payment	2021	4,684	1,218	5,902	5,902
	██████	November 2021 Guest Speaker Lodging	2022	1,606	-	1,606	1,606
	██████	November 2021 UNL Employee Lodging	2022	868	-	868	868
	██████	July 2022 PI Travel	2023	863	-	863	863
	██████	November 2019 Publication	2020	1,175	652	1,827	1,827
	██████	March 2022 Publication	2022	1,595	885	2,480	-
	██████	August 2020 Salaries and Fringe	2021	2,000	1,020	3,020	3,020
	██████	August 2022 Equipment	2023	1,383	705	2,088	2,088
4) Indirect Cost Rate Inappropriately Applied	██████	Inappropriately Applied Indirect Cost Rate	2022	-	-	-	-
5) Non-Compliance with Nebraska Policies	██████	Non-Compliance with UNL Quarterly Review Process	2020	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2020	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2021	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2022	-	-	-	-

	██████	Non-Compliance with UNL Quarterly Review Process	2023	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2023	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2023	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2023	-	-	-	-
	██████	Non-Compliance with UNL Quarterly Review Process	2023	-	-	-	-
	██████	Non-Compliance with UNL PVS Process	2020	-	-	-	-
	██████	Non-Compliance with UNL PVS Process	2021	-	-	-	-
	██████	Non-Compliance with UNL PVS Process	2022	-	-	-	-
	██████	Non-Compliance with UNL Procurement Policy	2021	-	-	-	-
	██████	Non-Compliance with UNL Procurement Policy	2021	-	-	-	-

	██████	Non-Compliance with UNL Travel Policy	2022	-	-	-	-
	██████	Non-Compliance with UNL Cost Transfer Form Policy	2022	-	-	-	-
Total				<u>\$131,908</u>	<u>\$64,139</u>	<u>\$196,047</u>	<u>\$156,659</u>

Source: Auditor summary of identified exceptions.

APPENDIX D: SUMMARY OF RECOMMENDATIONS AND CONSIDERATIONS

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

- 1.1 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$92,865 in questioned internal service center expenses for which it has agreed to reimburse NSF.
- 1.2 Direct UNL to strengthen its policies and procedures related to internal service center invoicing processes. Updated procedures should ensure that internal service centers only bill for services and materials based on actual usage and/or the approved internal service provider rates.
- 1.3 Direct UNL to strengthen its policies and procedures related to the biennial reviews of internal service centers. Updated procedures could include periodic reviews of internal service centers to determine if they charge \$10,000 or more to federal grants.
- 2.1 Resolve the \$36,908 in questioned inappropriately allocated publication, lease, and material and supply expenses for which UNL has not agreed to reimburse NSF and direct UNL to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$43,736 in questioned salaries and fringe expenses for which it has agreed to reimburse NSF.
- 2.3 Direct UNL to strengthen its policies and procedures and internal controls for allocating expenses to sponsored projects. Updated policies, procedures, and internal controls should address how UNL will ensure:
 - It charges salaries and fringe benefit expenses to NSF awards consistent with personnel action forms.
 - It allocates publication expenses consistent with the benefits received by acknowledged funding sources that contributed to the published research.
 - Its personnel document and justify allocation methodologies when charging expenses to NSF awards near grant expiration dates based on the benefit the NSF awards receive from the services and/or materials purchased.
 - It appropriately documents and retains documentation to support the methodology it uses to allocate expenses.
- 3.1 Resolve the \$2,480 in questioned publication expenses for which UNL has not agreed to reimburse NSF and direct UNL to repay or otherwise remove the sustained questioned costs from its NSF awards.

- 3.2 Direct UNL to provide documentation supporting that it has repaid or otherwise credited the \$20,058 in questioned participant support, publication, salary and fringe, and equipment expenses for which it has agreed to reimburse NSF.
- 3.3 Direct UNL to implement additional policies or procedures that address how to ensure it spends participant support funds appropriately, as well as how it will obtain required prior approvals from NSF before re-budgeting participant support funding.
- 3.4 Direct UNL to produce formal written guidance and provide training on how to assess and document the methodology used to allocate publication costs consistent with the benefits received by acknowledged funding sources.
- 3.5 Direct UNL to implement procedures that ensure it does not charge NSF awards for salary and fringe benefits earned after the NSF award expires.
- 3.6 Direct UNL to implement additional procedures that require Principal Investigators to regularly monitor and validate that they incurred expenses charged to NSF awards to benefit the award(s) to which they charged the expenses.
- 4.1 Direct UNL to strengthen its policies, procedures, and internal control processes for applying its indirect cost rates to all direct costs that should be included in its Modified Total Direct Cost base per its Negotiated Indirect Cost Rate Agreements.
- 5.1 Direct UNL to implement additional procedures and controls necessary to ensure it complies with its internal policies when overseeing NSF awards. Updated controls should ensure UNL:
 - Verifies that personnel perform and document a quarterly review of expenses for each NSF award each quarter.
 - Monitors for approaching project verification statement deadlines and develops procedures necessary to obtain approval of all project verification statements prior to the 60-day deadline.
 - Verifies that personnel obtain necessary contract approvals from the procurement department and receive, review, and maintain any required price and rate quotes prior to the final execution of a contract.
 - Verifies that personnel obtain appropriate approvals for Pre-Trip Requests prior to booking any travel.
 - Only approves cost transfers when documented and approved on the appropriate cost transfer form..

Additionally, we suggest that NSF's Director of the Division of Institution and Award Support consider:

- Directing UNL to develop formal policies and/or procedures regarding how to verify—and document verification of—its election to use proposed indirect cost rates. This should address how UNL will ensure the decision to use proposed indirect cost rates will not result in UNL overcharging NSF for indirect costs in cases when negotiated rates decrease within a single NICRA or between the date an NSF award is proposed and the date it is awarded.

APPENDIX E: GLOSSARY

Allocable cost. A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (a) Is incurred specifically for the federal award.
- (b) Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods.
- (c) Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart. (2 CFR § 200.405).

Return to the term's initial use.

Factors affecting allowability of costs. The tests of allowability of costs under these principles are: costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award (c) Be consistent with policies and procedures (d) Be accorded consistent treatment (e) Be determined in accordance with generally accepted accounting principles (GAAP) (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program (g) Be adequately documented. (2 CFR § 200.403).

Return to the term's initial use.

Allowable cost. Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- (a) Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. (2 CFR § 200.403).

Return to the term's initial use.

Area for Improvement. For the purposes of this report, an area for improvement represents a condition that does not constitute the grantee's non-compliance but warrants the attention of the grantee and NSF management.

Return to the term's initial use.

Consultant Services (Professional Service costs). This refers to costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-federal entity, which are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the

services rendered and when not contingent upon recovery of the costs from the federal government. (2 CFR § 200.459) and (Revised 2 CFR § 200.459).

[Return to the term's initial use.](#)

Equipment. Tangible personal property—including information technology (IT) systems—having a useful life of more than 1 year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000. (2 CFR § 200.33).

[Return to the term's initial use.](#)

Fringe Benefits. Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick, or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an establishment policy of the non-federal entity. (2 CFR § 200.431) and (Revised 2 CFR § 200.431).

[Return to the term's initial use.](#)

Indirect (F&A) Costs. This refers to those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (2 CFR § 200.56).

[Return to the term's initial use.](#)

Modified Total Direct Cost (MTDC). All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance (POP) of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs. (2 CFR § 200.68 and Revised 2 CFR § 200.1).

[Return to the term's initial use.](#)

Negotiated Indirect Cost Rate. Generally charged to federal awards through the development and application of an indirect cost rate. In order to recover indirect costs related to federal awards, most organizations must negotiate an indirect cost rate with the federal agency that provides the preponderance of funding, or Health and Human Services (HHS) in the case of colleges and universities. (NSF Office of Budget, Finance, and Award Management).

Return to the term's initial use.

Period of Performance (POP). The time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award. The federal awarding agency or pass-through entity must include start and end dates of the POP in the federal award. (2 CFR § 200.77).

Return to the term's initial use.

Proposal & Award Policies & Procedures Guide (PAPPG). Comprises documents relating to NSF's proposal and award process for the assistance programs of NSF. The PAPPG, in conjunction with the applicable standard award conditions incorporated by reference in award, serve as the NSF's implementation of 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. If the PAPPG and the award conditions are silent on a specific area covered by 2 CFR § 200, the requirements specified in 2 CFR § 200 must be followed. (NSF PAPPG 20-1).

Return to the term's initial use.

Questioned Cost. A cost that is questioned by the auditors because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate document; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. (2 CFR 200.84).

Return to the term's initial use.

Reasonable Cost. A reasonable cost is a cost that, in its nature and amount, does not exceed that which would have been incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. (2 CFR § 200.404).

Return to the term's initial use.

Salaries and Wages. Compensation for personal services includes all remuneration, paid currently, or accrued, for services of employees rendered during the POP under the federal award, including but not necessarily limited to wages and salaries. (2 CFR § 200.430).

Return to the term's initial use.

Simplified Acquisition Threshold (SAT). The dollar amount below which a non-Federal entity may purchase property or services using small purchase methods (§ 200.320). Non-Federal entities adopt small purchase procedures in order to expedite the purchase of items at or below the simplified acquisition threshold. The simplified acquisition threshold for procurement activities administered under Federal awards is set by the Federal Acquisition Regulation at 48 CFR part 2, subpart 2.1. The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. However, in no circumstances can this threshold exceed the dollar value established in the Federal Acquisition Regulation (48 CFR part 2, subpart 2.1) for the simplified acquisition threshold.

Recipients should determine if local government laws on purchasing apply. The federal SAT at the time of the audit was \$250,000. (Revised 2 CFR § 200.1 and 48 CFR part 2, subpart 2.1).

[Return to the term's initial use.](#)

Travel costs. Expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-federal entity's non-federally funded activities and in accordance with non-federal entity's written travel reimbursement policies. Notwithstanding the provisions of § 200.444 *General costs of government*, travel costs of officials covered by that section are allowable with the prior written approval of the federal awarding agency or pass-through entity when they are specifically related to the federal award. (2 CFR § 200.474).

[Return to the term's initial use.](#)

Unsupported Cost. §5(f)(2) a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation. Unsupported Cost is a subset of and included in Questioned Costs.

[Return to the term's initial use.](#)

National Defense Authorization Act

General Notification

Pursuant to Pub. L. No. 117-263 § 5274, business entities and non-governmental organizations specifically identified in this report have 30 days from the date of report publication to review this report and submit a written response to NSF OIG that clarifies or provides additional context for each instance within the report in which the business entity or non-governmental organizations is specifically identified. Responses that conform to the requirements set forth in the statute will be attached to the final, published report.

If you find your business entity or non-governmental organization was specifically identified in this report and wish to submit comments under the above-referenced statute, please send your response within 30 days of the publication date of this report to OIGPL117-263@nsf.gov, no later than February 26, 2025. We request that comments be in .pdf format, be free from any proprietary or otherwise sensitive information, and not exceed two pages. Please note, a response that does not satisfy the purpose set forth by the statute will not be attached to the final report.

About Us

NSF OIG was established in 1989, in compliance with the *Inspector General Act of 1978* (5 USC 401-24). Our mission is to provide independent oversight of NSF to improve the effectiveness, efficiency, and economy of its programs and operations and to prevent and detect fraud, waste, and abuse.

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