

# Performance Audit of Incurred Costs – Cornell University

REPORT PREPARED BY SIKICH CPA LLC





# At a Glance

Performance Audit of Incurred Costs – Cornell University  
OIG 26-01-001 | March 9, 2026

## AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Sikich CPA LLC (Sikich) to conduct a performance audit of costs that Cornell University (Cornell) incurred on 781 NSF awards during the period October 1, 2021, through September 30, 2024. The auditors tested approximately \$4.8 million of the \$349.9 million of costs claimed during the period. The audit objective was to evaluate Cornell's award management environment and determine if costs claimed by Cornell 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 Cornell's compliance with certain federal and NSF award requirements, NSF award terms and conditions, and Cornell's policies. The auditors questioned \$121,981 of costs claimed by Cornell during the audit period. Specifically, the auditors found \$64,644 in unallowable expenses, \$32,128 in inadequately supported expenses, \$22,321 of inappropriately allocated expenses, and \$2,888 of indirect cost rates not appropriately applied to expenses. The auditors also identified two compliance related findings for which there were no questioned costs: non-compliance with subaward requirements and non-compliance with Cornell policies. 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 six findings with associated recommendations for NSF to resolve the questioned costs and to ensure Cornell strengthens administrative and management controls.

## AUDITEE RESPONSE

Cornell generally disagreed with the findings included in the audit report and only agreed to reimburse NSF for \$54,438 of the \$121,981 in questioned costs. Cornell'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](mailto:OIGPublicAffairs@nsf.gov).



**U.S. NATIONAL SCIENCE FOUNDATION**  
**Office of Inspector General**

**MEMORANDUM**

**DATE:** March 9, 2026

**TO:** Jason Bossie  
Office Head  
Office of Award Management  
U.S. National Science Foundation  
[REDACTED]

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

**SUBJECT:** Final Report No. 26-01-001, *Cornell University*

This memorandum transmits the Sikich CPA LLC (Sikich) report for the audit of costs charged by Cornell University (Cornell) to 781 NSF awards during the period of October 1, 2021, to September 30, 2024. The audit encompassed approximately \$4.8 million of the \$349.9 million of costs claimed to NSF during the period. The audit objective was to evaluate Cornell's award management environment and determine if costs claimed by Cornell 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 audit 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 audit report prepared by Sikich; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Ken Lish, Director, Inspections, Evaluations, and Agile Products, at 703-292-7100 or [OIGPublicAffairs@nsf.gov](mailto:OIGPublicAffairs@nsf.gov).

Attachment

CC: Victor McCrary, Aaron Dominguez, Wanda Ward, Scott Stanley, John Veysey, Ann Bushmiller, Micah Cheatham, Christina Sarris, Lisa Scott-Morrison, Alex Wynnyk, Carrie Davison

## EXECUTIVE SUMMARY

The Sikich CPA LLC (formerly known as Cotton & Company Assurance and Advisory, LLC) audit team determined that Cornell University (Cornell) 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 Cornell policies and procedures. Specifically, the audit report includes six findings and a total of \$121,981 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 Cornell incurred on NSF awards between October 1, 2021, and September 30, 2024. 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 Cornell’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) 16-1, 17-1, 18-1, 19-1, 20-1, 22-1, 23-1, and 24-1; NSF award terms and conditions; and Cornell 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](#), we identified and questioned \$121,981 of direct and indirect costs that Cornell inappropriately claimed during the audit period, including:

- \$64,644 of unallowable expenses
- \$32,128 of inadequately supported expenses
- \$22,321 of inappropriately allocated expenses
- \$2,888 of indirect cost rates not appropriately applied to expenses

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

- Non-compliance with subaward requirements
- Non-compliance with Cornell policies

## RECOMMENDATIONS

The audit report includes 17 recommendations for NSF’s Director of the Division of Institution and Award Support related to resolving the \$121,981 in questioned costs and ensuring Cornell strengthens its award management environment, as summarized in [Appendix D](#).

## AUDITEE RESPONSE

Cornell generally disagreed with the findings included in the audit report and only agreed to reimburse NSF for \$54,438 of the \$121,981 in questioned costs. Cornell’s response is attached, in its entirety, to the report as [Appendix A](#).

## Table of Contents

<b>Background</b> .....	<b>1</b>
<b>Audit Scope</b> .....	<b>2</b>
<b>Audit Results</b> .....	<b>3</b>
Finding 1: Unallowable Expenses .....	4
Finding 2: Inadequately Supported Expenses .....	16
Finding 3: Inappropriately Allocated Expenses.....	21
Finding 4: Indirect Cost Rates Not Appropriately Applied.....	24
Finding 5: Non-Compliance with Subaward Requirements.....	26
Finding 6: Non-Compliance with Cornell Policies.....	29
<b>Appendix A: Cornell University’s Response</b> .....	<b>33</b>
<b>Appendix B: Objectives, Scope, and Methodology</b> .....	<b>41</b>
<b>Appendix C: Summary of Questioned Costs</b> .....	<b>45</b>
<b>Appendix D: Summary of Recommendations and Considerations</b> .....	<b>52</b>
<b>Appendix E: Glossary</b> .....	<b>56</b>

## Abbreviations

<b>ACM\$</b>	Award Cash Management Service
<b>CFR</b>	Code of Federal Regulations
<b>Cornell</b>	Cornell University
<b>CROPPS</b>	Center for Research on Programmable Plant Systems
<b>EL</b>	Entrepreneurial Lead
<b>FY</b>	Fiscal Year
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>IBS</b>	Institutional Base Salary
<b>I-Corps</b>	Innovation Corps
<b>MTDC</b>	Modified Total Direct Cost
<b>NICRA</b>	Negotiated Indirect Cost Rate Agreement
<b>NSF</b>	National Science Foundation
<b>OIG</b>	Office of Inspector General
<b>PAPPG</b>	Proposal and Award Policies and Procedures Guide
<b>RTG</b>	Research Training Group
<b>█</b>	█ █ █

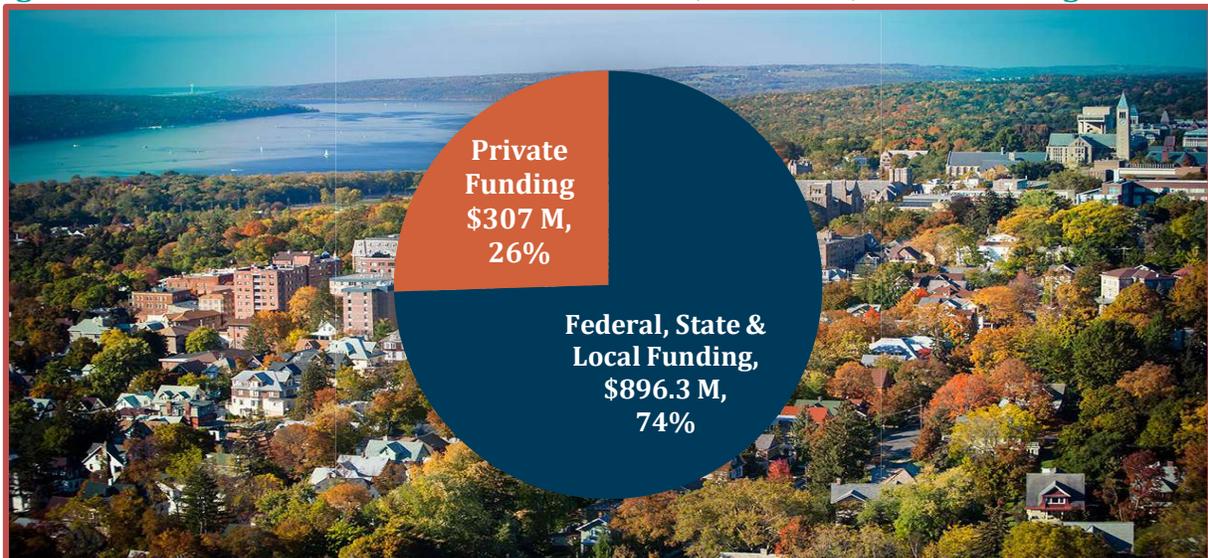
## BACKGROUND

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 to conduct a performance audit of costs that Cornell University (Cornell) incurred on NSF awards between October 1, 2021, and September 30, 2024. Cornell is a private university dedicated to a mission of learning, discovery, and engagement, located in Ithaca, New York. In fiscal year (FY) 2024, Cornell reported approximately \$1.2033 billion<sup>1</sup> in grants, contracts, and similar agreement revenues, including approximately \$896.3 million in grants, contracts, and similar agreements received from federal, state, and local entities—including NSF—as illustrated in Figure 1.

**Figure 1: Cornell’s FY 2024 Revenue from Grants, Contracts, and Similar Agreements**



Source: The chart data is supported by Cornell’s Annual Consolidated Financial Statements, June 30, 2024 and 2023. (<https://finance.cornell.edu/sites/default/files/cornell-financial-report-FY2024.pdf>) The photo of Cornell’s Ithaca campus is publicly available on Cornell’s website. (<https://www.cornell.edu/about/locations/ithaca/>)

<sup>1</sup> This amount is inclusive of grants, contracts, and similar agreement revenues issued to Cornell’s Medical School, Weill Cornell Medicine.

## AUDIT SCOPE

This performance audit—conducted under Order No. 140D0424F1157—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 incurred-cost performance audit included evaluating Cornell’s award management environment and determining if costs claimed on NSF awards were **allocable, allowable, reasonable**, and in conformity with NSF award terms and conditions, Cornell’s internal policies, and applicable federal financial assistance requirements. [Appendix B](#) provides further detailed information on our audit objectives, scope, and methodology.

As illustrated in Figure 2, Cornell provided general ledger data to support the \$349.9 million in expenses it charged to 781 NSF awards during our audit **period of performance (POP)** of October 1, 2021, to September 30, 2024.<sup>2</sup>

**Figure 2: Costs Incurred on NSF Awards from October 1, 2021, to September 30, 2024**



*Source:* Auditor analysis of accounting data that Cornell provided to support the total costs it charged to NSF awards (\$349,934,315), by expense type, during the audit period. The “Other Direct Costs” category includes other direct costs, consultant services, and publications.

We judgmentally selected 92 transactions totaling \$4,784,824<sup>3</sup> (see Table 1) and evaluated supporting documentation to determine whether the costs charged 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.

<sup>2</sup> Although the \$349.9 million that Cornell charged to 781 NSF awards during the audit POP did not reconcile to the \$351.0 million Cornell claimed on 787 NSF awards during the audit period, we determined that the general ledger data provided was sufficiently reliable for audit purposes. See [Appendix B](#) for additional details regarding the audit scope.

<sup>3</sup> The \$4,784,824 represents the total value of the 92 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 <sup>4</sup>
Equipment	7	\$2,497,025
Subawards	10	528,251
Salaries and Wages	18	391,824
Other Direct Costs	19	345,588
Consultant Services	8	320,935
Travel	11	212,068
Materials and Supplies	7	203,577
Indirect Costs	2	152,054
Participant Support Costs	4	69,287
Publications	5	56,840
Fringe Benefits	1	7,375
<b>Total</b>	<b><u>92</u></b>	<b><u>\$4,784,824</u></b>

Source: Auditor summary of selected transactions.

## AUDIT RESULTS

We identified and questioned \$121,981 in costs that Cornell charged to 23 NSF awards. We also identified expenses that Cornell charged to 12 NSF awards that did not result in **questioned costs**, but did result in non-compliance with federal, NSF, and/or Cornell-specific policies and procedures. 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
Unallowable Expenses	\$64,644
Inadequately Supported Expenses	32,128
Inappropriately Allocated Expenses	22,321
Indirect Cost Rate Not Appropriately Applied	2,888
Non-Compliance with Subaward Requirements	-
Non-Compliance with Cornell Policies	-
<b>Total</b>	<b><u>\$121,981</u></b>

Source: Auditor summary of findings identified.

We made 17 recommendations for NSF's Director of the Division of Institution and Award Support related to resolving the \$121,981 in questioned costs and ensuring Cornell 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 Cornell and NSF OIG. We included Cornell's response to this report, in its entirety, in **Appendix A**.

<sup>4</sup> 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.

## FINDING 1: UNALLOWABLE EXPENSES

Cornell charged 13 NSF awards a total of \$64,644 in publication, travel, fringe benefit, long-term visa, participant payment, summer salary, and promotional material expenses that were unallowable per federal regulations<sup>5</sup> and NSF [Proposal and Award Policies and Procedures Guides \(PAPPGs\)](#).<sup>6</sup>

### Unallowable Publication Expenses

Cornell charged two NSF awards for \$24,969 in expenses incurred to publish/print research materials that did not specifically acknowledge the NSF awards charged, as required for the expenses to be allowable per federal regulations<sup>7</sup> and NSF PAPPGs,<sup>8</sup> and as illustrated in Table 3.

**Table 3: Unallowable Publication Expenses**

Expense Date	NSF Award No.	Award(s) Recognized in Publication	Expense Amount	Notes
November 2021	██████████	██████████ / ██████████ and ██████████	\$6,178	a
February 2022	██████████	No award(s) acknowledged	18,791	b

Source: Auditor summary of identified exceptions.

- a) In November 2021, Cornell charged NSF Award No. ██████████ for \$6,178 in expenses incurred to publish a research article that did not acknowledge support from this NSF award. Further, Cornell did not report the published article to an NSF Program Officer as an award-related publication in the annual reports submitted to NSF.<sup>9</sup>
- b) In February 2022, Cornell charged NSF Award No. ██████████ for \$18,791 in expenses incurred to print 60,000 copies of a ██████████ ██████████ ██████████ ██████████ magazine, consistent with the NSF award budget. Although the second page of the

<sup>5</sup> According to 2 Code of Federal Regulations (CFR) § 200.403 (December 26, 2014; revised November 12, 2020), *allowable*, (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.

<sup>6</sup> According to NSF PAPPGs 18-1, 19-1, 20-1, 22-1, 23-1, and 24-1, 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.

<sup>7</sup> According to 2 CFR § 200.461 (revised November 12, 2020), *Publication and printing costs*, (b), page charges for professional journal publications are allowable where the publications report work supported by the federal government.

<sup>8</sup> According to NSF PAPPG 20-1, Part II, Chapter XI, Section E. *Publication/Distribution of Grant Materials*, 4.(a), grantees are responsible for ensuring that they have acknowledged NSF support in any publication. Further, per NSF Grant General Conditions (GC-1) (February 25, 2019), Subject 27, *Publications*, a., the grantee is responsible for ensuring acknowledgment of NSF support in the following terms: "This material is based upon work supported by the National Science Foundation under Grant No. (NSF grant number)."

<sup>9</sup> According to NSF PAPPG 20-1, Part II, Chapter XI, Section E. *Publication/Distribution of Grant Materials*, 4.(c), grantees are responsible for ensuring that they provide the cognizant NSF Program Officer with access to a copy of every publication of material based on or developed under an award.

magazine included an NSF logo, the magazine did not specifically acknowledge support from NSF Award No. [REDACTED]

**Unallowable Travel Expenses**

Cornell charged four NSF awards for \$14,804 in **travel** expenses that were not reasonable<sup>10</sup> or otherwise allowable per federal regulations<sup>11</sup> and NSF PAPPGs,<sup>12</sup> as illustrated in Table 4.

**Table 4: Unallowable Travel Expenses**

Expense Date	NSF Award No.	Unallowable Total	Unallowable Expenses Associated With	Notes
September 2022	[REDACTED]	\$479	Unreasonable Business Meal	<b>a</b>
September 2022	[REDACTED]	62	Duplicative Transportation and Airport Lounge Access	<b>b</b>
October 2022	[REDACTED]	4,924	Non-Compliant Foreign Airfare and Unused Lodging	<b>c</b>
October 2022	[REDACTED]	1,280	Transportation Per Diem	<b>d</b>
November 2022	[REDACTED]	984	Alcohol and Cancellation Fees	<b>e</b>
December 2023	[REDACTED]	3,516	Airfare Seat Upgrade and Rebooking Fees	<b>f</b>
December 2023	[REDACTED]	1,271	Administrative Employee Travel	<b>g</b>
September 2024	[REDACTED]	2,288	Duplicative Lodging	<b>h</b>

Source: Auditor summary of identified exceptions.

- a) In September 2022, Cornell charged NSF Award No. [REDACTED] for \$479 that a traveler claimed for a business meal for five individuals. In addition to the meal expense being unreasonable,<sup>13</sup> the traveler who claimed reimbursement for this meal also claimed their full daily meal **per diem** for that day.
- b) In September 2022, Cornell charged NSF Award No. [REDACTED] for \$62 in unallowable travel expenses, including \$46 claimed for duplicative ground transportation expenses and \$16 claimed for access to an airport lounge.

<sup>10</sup> According to 2 CFR § 200.404 (December 26, 2014), *Reasonable costs*, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

<sup>11</sup> According to 2 CFR § 200.474 (December 26, 2014; revised November 12, 2020), *Travel Costs*, (a), costs are allowable only to the extent that such costs do not exceed charges normally allowed by the non-federal entity in its regular operations as the result of the non-federal entity’s written travel policy. Further, the regulations note that, if these costs are charged directly to the federal award, documentation must justify that the individual’s participation is necessary to the federal award and that the costs are reasonable and consistent with the non-federal entity’s established travel policy.

<sup>12</sup> According to NSF PAPPGs 20-1, 22-1, 23-1, and 24-1, Part II, Chapter X, Section C.3, *Travel and Temporary Dependent Care Costs*, travel, meal, and hotel expenses of grantee employees on travel status are limited to those specifically authorized by federal regulations.

<sup>13</sup> As the price incurred for this meal (\$76 per person) was significantly higher than (1) the average price claimed for other business meals during the trip (\$31 per person) and (2) the meal per diem for this location, we determined that the expense was not reasonable.

- c) In October 2022, Cornell charged NSF Award No. [REDACTED] for \$4,924 in unallowable travel expenses, including \$3,272 claimed for airfare that was not compliant with the Fly America Act<sup>14</sup> and \$1,652 claimed for lodging that the traveler did not use.
- d) In October 2022, Cornell charged NSF Award No. [REDACTED] for \$1,280 in daily transportation per diem expenses, which are not an allowable type of per diem cost under Cornell's *Mileage and Per Diem* policy.<sup>15</sup>
- e) In November 2022, Cornell charged NSF Award No. [REDACTED] for \$984 in unallowable travel expenses, including \$576 for alcohol<sup>16</sup> and \$408 for a lodging cancellation fee.
- f) In December 2023, Cornell charged NSF Award No. [REDACTED] for \$3,516 in unallowable airfare expenses incurred for an unallowable seat upgrade<sup>17</sup> and for the rebooking of flights due to personal reasons and flight cancellations.
- g) In December 2023, Cornell charged NSF Award No. [REDACTED] for \$1,271 in unallowable airfare expenses incurred to allow an administrative employee—who did not perform or present any award-related research—to travel to an award-related conference to provide audio/visual, communications, and videography support.
- h) In September 2024, Cornell charged NSF Award No. [REDACTED] for \$2,288 in lodging expenses that a traveler inappropriately claimed twice.

### ***Unallowable Fringe Benefits***

Cornell charged two NSF awards for \$7,834 in **fringe benefits** that it inappropriately applied to **stipends**, which are not allowable in Cornell's fringe benefit rate base,<sup>18</sup> as illustrated in Table 5.

**Table 5: Unallowable Fringe Benefits**

Expense Date	NSF Award No.	Unallowable Total	Description	Notes
November 2023	[REDACTED]	\$6,167	Fringe Benefit	<b>a</b>
November 2023	[REDACTED]	1,667	Fringe Benefit	<b>b</b>

*Source: Auditor summary of identified exceptions.*

<sup>14</sup> According to NSF PAPPG 22-1, Part II, Chapter XI, Section F.1.b, *Use of U.S.-Flag Air Carriers*, in accordance with the **Fly America Act** (49 USC 40118), any air transportation to, from, between, or within a country other than the U.S. of persons or property, the expense of which will be assisted by NSF funding, must be performed by or under a code-sharing arrangement with a U.S.-flag air carrier if service provided by such a carrier is available.

<sup>15</sup> Cornell's *Mileage and Per Diem* policy allows for per diem reimbursement for meals at U.S. General Services Administration or U.S. Department of Defense meal per diem rates.

<sup>16</sup> NSF PAPPG 22-1, Part I, Chapter II, C. *Proposal Contents*, Section 2.g.xiii, *Allowable and Unallowable Costs*, states that no NSF funds may be requested or spent on alcoholic beverages.

<sup>17</sup> According to 2 CFR § 200.475 (revised November 12, 2020), *Travel Costs*, (e), airfare costs in excess of the basic, least expensive unrestricted accommodations class offered by commercial airlines are unallowable.

<sup>18</sup> Cornell's Negotiated Indirect Cost Rate Agreement (NICRA), dated June 30, 2022, Section I: *Fringe Benefit Rates*, states that Cornell's fringe benefit rate base consists of salaries and wages.

- a) In November 2023, Cornell charged NSF Award No. [REDACTED] for \$6,167 in fringe benefits applied to a \$16,667 stipend paid to the Entrepreneurial Lead (EL) of the NSF Innovation Corps (I-Corps) award<sup>19</sup> because Cornell processed this amount as a bonus payment to a Cornell employee, rather than as a stipend.

Further, if classifying this expense as a bonus had been appropriate, Cornell incorrectly applied fringe benefits to this payment using its 37 percent full benefit rate, rather than the 10 percent rate applicable to bonus payments. In this instance, \$4,500 of the \$6,167 in questioned fringe benefits would have been unallowable per Cornell's **Negotiated Indirect Cost Rate Agreements** (NICRAs).<sup>20</sup>

- b) In November 2023, Cornell charged NSF Award No. [REDACTED] for \$1,667 in fringe benefits applied to a \$16,667 stipend paid to the EL of the NSF I-Corps award because Cornell processed this amount as a bonus payment to a Cornell employee, rather than as a stipend.

### ***Unallowable Long-Term Immigration Visa Expense***

Cornell charged one NSF award for \$6,175 in long-term immigration visa expenses that were not allowable per federal regulations<sup>21</sup> or the NSF PAPPG,<sup>22</sup> as illustrated in Table 6.

**Table 6: Unallowable Long-Term Immigration Visa Expense**

Expense Date	NSF Award No.	Unallowable Total	Unallowable Expenses Associated With	Notes
August 2024	[REDACTED]	\$6,175	H-1B Visa	a

Source: Auditor summary of identified exception.

- a) In August 2024, Cornell charged NSF Award No. [REDACTED] for \$6,175 to obtain a long-term<sup>23</sup> **H-1B visa** for a post-doctoral associate performing research on the award.

### ***Unallowable Participant Payments***

Cornell charged three NSF awards for \$4,993 in unallowable payments made to participants, as illustrated in Table 7.

<sup>19</sup> The budget Cornell submitted for NSF Award No. [REDACTED] specifically requested \$15,000 for an EL stipend.

<sup>20</sup> Cornell's NICRA dated June 30, 2022, established a fixed fringe benefit rate of 10.00 percent applicable to bonus payments made from July 1, 2021, to June 30, 2024.

<sup>21</sup> According to 2 CFR § 200.463 (revised November 12, 2020), *Recruiting Costs*, short-term travel visa costs (as opposed to longer-term immigration visas) are generally allowable expenses.

<sup>22</sup> NSF PAPPG 24-1, Part II, Chapter XI, *F. International Considerations*, Section 4, *Passports and Visas*, states that NSF assumes no responsibility for securing passports or visas required by any person because of participation in an NSF-supported project.

<sup>23</sup> An H-1B visa is typically a 3-year immigration visa but may be extended to 6 years.



**Table 8: Unallowable Summer Salary**

Expense Date	NSF Award No.	Unallowable Total	Unallowable Expenses Associated With	Notes
July 2022	██████████	\$2,043	Summer Salary	a
August 2022	██████████	1,414	Summer Salary	b

Source: Auditor summary of identified exceptions.

- a) In July 2022, Cornell charged NSF Award No. ██████████ for \$2,043 in unallowable summer salary costs. This occurred because Cornell based the employee’s summer salary on a 9-month salary of \$133,328, which was the salary the department estimated for the employee for the following year, rather than based on the employee’s \$126,625 9-month IBS at the time the salary was earned.
- b) In August 2022, Cornell charged NSF Award No. ██████████ for \$1,414 in unallowable summer salary costs. This occurred because Cornell based the employee’s summer salary on a 9-month salary of \$175,717, which was the salary the department estimated for the employee for the following year, rather than based on the employee’s \$170,057 9-month IBS at the time the salary was earned.

**Unallowable Promotional Materials**

Cornell charged NSF Award No. ██████████ for \$2,412 in costs incurred to purchase promotional materials that were not allowable per federal regulations,<sup>27</sup> as illustrated in Table 9.

**Table 9: Unallowable Promotional Materials**

Expense Date	NSF Award No.	Unallowable Total	Description	Notes
October 2023	██████████	\$2,412	██████████ (██████████)	a

Source: Auditor summary of identified exception.

- a) In October 2023, Cornell charged NSF Award No. ██████████ for \$2,412 in costs incurred to purchase promotional items given away at a ██████████ annual meeting. Cornell acknowledged that it had inappropriately charged these costs to the award.

**Conclusion**

Cornell’s policies, procedures, and internal controls were not sufficient to ensure it only charged allowable costs to NSF awards. Specifically, we noted that Cornell’s oversight procedures were not sufficient to ensure that: (i) publications charged to NSF awards included the appropriate award acknowledgement(s); (ii) Cornell only charged reasonable,

<sup>27</sup> According to 2 CFR § 200.467 (revised November 12, 2020), *Selling and Marketing Costs*, costs of selling and marketing any products or services of the non-federal entity are unallowable, except as direct costs with prior approval by the federal awarding agency when necessary for the performance of the federal award.

allocable, and allowable travel, participant, and promotional material expenses to NSF awards; and (iii) Cornell made participant payments at the amounts approved in the NSF program solicitations.

Further, we noted that Cornell’s policies and processes are designed to permit costs we identified as unallowable on NSF awards, as they permit Cornell to: (i) apply fringe benefits to stipend payments made to Cornell employees; (ii) charge H-1B visas to sponsored projects; and (iii) pay summer salary earned at estimated or future salary amounts, rather than based on the employee’s IBS at the time the salary was charged. We are therefore questioning \$64,644 of unallowable expenses charged to 13 NSF awards. Cornell agreed to reimburse NSF for \$39,608 in questioned costs, but disagreed with the remaining \$25,036, as illustrated in Table 10.

**Table 10: Finding 1 Summary: Unallowable Expenses**

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			Cornell Agreed to Reimburse
			Direct	Indirect	Total	
██████	November 2021 Unallowable Publication	2022	\$5,560	\$618	\$6,178	\$6,178
██████	February 2022 Unallowable Publication	2022	11,458	7,333	18,791	18,791
██████	September 2022 Unreasonable Business Meal	2023	380	99	479	479
██████	September 2022 Duplicative Transportation and Private Lounge Access	2023	49	13	62	62
██████	October 2022 Non-Compliant Foreign Airfare and Unused Lodging	2023	3,908	1,016	4,924	1,904 <sup>28</sup>
██████	October 2022 Unallowable Transportation Per Diem	2023	1,016	264	1,280	1,280
██████	November 2022 Alcohol and Cancellation Fees	2023	600	384	984	984
██████	December 2023 Airfare Seat Upgrade and Rebooking Fees	2024	2,144	1,372	3,516	339 <sup>29</sup>

<sup>28</sup> Cornell agreed to remove \$1,904 related to the unallowable airfare.

<sup>29</sup> Cornell agreed to remove \$339 related to extra service fees incurred for flight changes, rebookings for personal reasons, and a seat upgrade.

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	Cornell Agreed to Reimburse
██████	December 2023 Administrative Employee Travel	2024	775	496	1,271	-
██████	September 2024 Duplicative Lodging	2025	1,395	893	2,288	2,288
██████	November 2023 Unallowable Fringe Benefits	2024	5,550	617	6,167	4,500 <sup>30</sup>
██████	November 2023 Unallowable Fringe Benefits	2024	1,500	167	1,667	-
██████	August 2024 Unallowable H-1B Visa	2025	3,765	2,410	6,175	-
██████	January 2022 Overpaid RTG Stipend	2022	4,000	-	4,000	-
██████	August 2023 Unallowable Use of Participant Support Cost Funding	2024	493	316	809	-
██████	March 2024 Participant Not Eligible for Payment	2024	112	72	184	-
██████	July 2022 Unallowable Summer Salary	2023	1,301	742	2,043	391
██████	August 2022 Unallowable Summer Salary	2023	862	552	1,414	-
██████	October 2023 Unallowable Promotional Materials	2024	1,471	941	2,412	2,412
<b>Total</b>			<b><u>\$46,339</u></b>	<b><u>\$18,305</u></b>	<b><u>\$64,644</u></b>	<b><u>\$39,608</u></b>

Source: Auditor summary of identified exceptions.

**Recommendations**

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

- 1.1 Resolve the \$25,036 in questioned travel, fringe benefit, long-term visa, participant support, and summer salary expenses for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.

<sup>30</sup> Cornell agreed to reimburse \$4,500 incurred as a result of applying a 37 percent fringe benefit rate to the payment, rather than the 10 percent fringe benefit rate allowable for bonus payments.

- Additionally, based on Cornell's formal response to the audit report, we also suggest that NSF consider whether Cornell appropriately tracked and used all funds awarded for participant support when resolving the \$809 in questioned costs for NSF Award No. [REDACTED]
- 1.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$39,608 in questioned publication, travel, fringe benefit, and promotional material expenses for which it has agreed to reimburse NSF.
  - 1.3 Direct Cornell to strengthen its procedures for ensuring that it only charges allowable costs to NSF awards. Cornell's updated procedures should:
    - Require Cornell to verify that research publications acknowledge the NSF funding source(s) to be charged before charging the publication expenses to the NSF award(s).
    - Address how to properly review travel, participant, and promotional material expenses to identify unallowable costs.
  - 1.4 Direct Cornell to update its policies and processes to no longer permit personnel to charge unallowable costs to NSF awards. These updated policies should not permit Cornell to:
    - Apply fringe benefits to stipend payments when paying stipends to Cornell employees.
    - Charge H-1B long-term immigration visa costs to NSF awards.
    - Charge summer salaries at amounts that exceed the employee's IBS at the time the employee earned the summer salary.

**Cornell University Response:** Cornell agreed to reimburse NSF for \$39,608 of questioned costs, but disagreed with the remaining \$25,036 in questioned costs, as follows:

- With respect to the \$3,020 Cornell did not agree to reimburse for non-compliant foreign airfare and unused lodging charged to NSF Award No. [REDACTED]
  - Cornell did not agree to repay \$1,368 of the non-compliant foreign airfare. Specifically, although Cornell agreed that the \$3,272 claimed for foreign airfare was unallowable, it only agreed to reimburse NSF for \$1,904<sup>31</sup> of this amount because the traveler was only reimbursed for \$12,465 of the \$13,551 in direct travel expenses they incurred.

---

<sup>31</sup> \$3,272 in unallowable airfare - \$1,368 in unreimbursed travel (((\$13,551 - \$12,465) \* 1.26 indirect costs) = \$1,904.

- Cornell disagreed that the \$1,652 claimed for additional lodging provided in response to a COVID-19 outbreak was unallowable as it believes the costs were reasonable and were necessary to maintain the health and safety of the traveler.
- With respect to the \$3,177 Cornell did not agree to reimburse for rebooking fees due to personal reasons and flight cancellations charged to NSF Award No. [REDACTED]. Cornell believes the costs are allowable as they were related to reasonable and unavoidable changes. Specifically, Cornell noted that because it purchases non-refundable airline tickets to minimize airfare expenses, it considered the change fees reasonable and allowable.
- With respect to the \$1,271 Cornell did not agree to reimburse for an administrative employee's travel charged to NSF Award No. [REDACTED]. Cornell believes the costs should be allowable as audio/visual support for the [REDACTED] was proposed as a component of the [REDACTED] costs and video outreach is a significant component of the broader impacts for this program.
- With respect to the \$3,334 Cornell did not agree to reimburse for fringe benefits (\$1,667 charged to NSF Award No. [REDACTED] and \$1,667 charged to NSF Award No. [REDACTED]). Cornell believes the costs should be allowable as the fringe benefits were appropriately assessed on a stipend payment made to a university employee. Specifically, Cornell noted that, because the stipend payment was processed as payroll to comply with Internal Revenue Service and related payroll regulations, it was appropriate to assess a 10 percent fringe benefit rate on the expense in accordance with Cornell's NICRA to cover the cost of statutory benefits.
- With respect to the \$6,175 Cornell did not agree to reimburse for an H-1B immigration visa fee charged to NSF Award No. [REDACTED]. Cornell believes that H-1B visas are a short-term, non-immigration visa and are therefore an allowable recruiting cost. Specifically, Cornell notes that because the normal initial period of an H-1B visa is 3 years—as opposed to a green card which has a longer, 10-year, term—H-1B visas should be allowable. Cornell further noted that the 2024 2 CFR 200 revisions, while not directly applicable to the award charged, removed the term “travel” from the description of allowable visa expenses.
- With respect to the \$4,000 Cornell did not agree to reimburse for overpaid RTG stipends charged to NSF Award No. [REDACTED]. Cornell believes the costs should be allowable because the NSF program officer supported the increase and because the NSF program solicitation, NSF 20-608 does not include a budgetary restriction.
- With respect to the \$809 Cornell did not agree to reimburse for rebudgeted participant support costs charged to NSF Award No. [REDACTED] because the expense was charged to the “PSC – Participant Support Costs” subaccount Cornell established to track the use of participant support costs budgeted for this award, and because Cornell did not provide documentation to support that participant support cost

funds were not used to cover the sampled expense, our position regarding this exception has not changed. However, because Cornell's response notes that it co-mingled both participant and non-participant support cost funding within its participant support cost subaccount, we have included an additional bullet in recommendation 1.1 to suggest that NSF consider whether Cornell appropriately tracked and used participant support cost funds awarded for NSF Award No. [REDACTED] when resolving these questioned costs.

- With respect to the \$184 Cornell did not agree to reimburse for a participant payment charged to NSF Award No. [REDACTED] Cornell believes the costs should be allowable as it was provided to facilitate an individual's participation in day 1 of a workshop when they could not attend the day 2 workshop for which travel reimbursement was being offered.
- With respect to the \$1,652 Cornell did not agree to reimburse for the summer salary expenses charged to NSF Award Nos. [REDACTED] and [REDACTED] Cornell believes the salary should be allowable because Cornell's guidance indicates that summer salary should be calculated based on the salary established for individuals for the upcoming school year. Specifically, Cornell noted that while its records indicate salary increases are effective July 1 of the following year, work during the summer months is to be paid at the ensuing year's salary.

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

- With respect to the \$3,020 Cornell did not agree to reimburse for non-compliant foreign airfare and unused lodging charged to NSF Award No. [REDACTED]
  - With respect to the \$1,368 Cornell did not agree to reimburse based on the total reimbursed to the traveler—because we were unable to verify which of the expenses were and/or were not included in the \$12,465 expense report and as we were unable to fully reconcile Cornell's general ledger data to the costs it claimed in its NSF Award Cash Management Service (ACM\$) drawdowns—we questioned all unallowable expenses we identified when testing the \$10,891 sampled transaction.
  - With respect to the \$1,652 Cornell did not agree to reimburse for unused lodging, because: (i) the travel occurred in July 2022, after the Office of Management and Budget COVID-19 flexibilities expired; (ii) the lodging did not benefit the award charged; and (iii) Cornell did not request and/or maintain documentation to support the circumstances that resulted in the traveler electing not to stay at the pre-paid hotels, our position regarding this exception has not changed.
- With respect to the \$3,177 Cornell did not agree to reimburse for travel charged to NSF Award No. [REDACTED] because Cornell did not provide documentation to support

the business purpose of the change fees, our position regarding this exception has not changed.

- With respect to the \$1,271 Cornell did not agree to reimburse for administrative employee travel charged to NSF Award No. [REDACTED] because the employee did not perform or present any award-related research, our position regarding this exception has not changed.
- With respect to the \$3,334 Cornell did not agree to reimburse for fringe benefits applied to stipends (\$1,667 charged to NSF Award No. [REDACTED] and \$1,667 charged to NSF Award No. [REDACTED] because Cornell budgeted the payments as stipends, which do not apply fringe benefits, and because Cornell would have had to comply with 2 CFR 200.430 if the payments were issued as salary rather than as stipends, our position regarding this exception has not changed.
- With respect to the \$6,175 Cornell did not agree to reimburse for an H-1B immigration visa fee charged to NSF Award No. [REDACTED] because federal and NSF guidance applicable to the award specifically reference that only short-term travel visas are allowable—as opposed to the longer-term -1B immigration visa obtained— our position regarding this exception has not changed.
- With respect to the \$4,000 Cornell did not agree to reimburse for a portion of a stipend charged to NSF Award No. [REDACTED] because the NSF program solicitation applicable to the award only allowed a total stipend of \$30,000 per student, and because Cornell did not provide documentation to support NSF approved an increase to the program stipend amount, our position regarding this exception has not changed.
- With respect to the \$809 Cornell did not agree to reimburse for rebudgeted participant support costs charged to NSF Award No. [REDACTED] because the expense was charged to the “PSC – Participant Support Costs” subaccount Cornell established to track the use of participant support costs budgeted for this award, and because Cornell did not provide documentation to support that participant support cost funds were not used to cover the sampled expense, our position regarding this exception has not changed. However, because Cornell’s response notes that it co-mingled both participant and non-participant support cost funding within its participant support cost subaccount, we have included an additional footnote in our recommendations for finding 1 to suggest that NSF consider whether Cornell appropriately tracked and used participant support cost funds awarded for this award when resolving these questioned costs.
- With respect to the \$184 Cornell did not agree to reimburse for a participant payment charged to NSF Award No. [REDACTED] as the participant did not attend the community-centered workshop day required for all other attendees to be eligible to receive payment, our position regarding this exception has not changed.

- With respect to the \$3,066 Cornell did not agree to reimburse in summer salary charged to NSF Award Nos. [REDACTED] and [REDACTED] because federal regulations state that summer salary is not allowable above an employee’s IBS rate, our position regarding this exception has not changed.

Specifically, although Cornell does have a “Faculty Summer Salary Process” document that states that summer compensation can be paid at 1/9<sup>th</sup> of the ensuing year’s IBS, because this process can result in salary being paid at a rate higher than an employee’s IBS at the time the salary is earned, the process does not ensure costs are compliant with federal regulations.

Further, because an employee’s ensuing year IBS is often not known at the time summer salary appointments are established, this process can result in employees being paid at estimated rates that are even higher than the IBS rates that are established for the ensuing year (as demonstrated in the exception for NSF Award No. [REDACTED]).

## FINDING 2: INADEQUATELY SUPPORTED EXPENSES

Cornell did not provide adequate documentation to support the allocability, allowability, and reasonableness of \$32,128 in expenses charged to six NSF awards, as required per federal regulations<sup>32</sup> and NSF PAPPGs.<sup>33</sup>

### *Inadequately Supported Service Expenses*

The documentation Cornell provided to support \$26,404 in technician service expenses charged to one NSF award was not sufficient or appropriate<sup>34</sup> to support that the costs invoiced were allowable, as illustrated in Table 11.

**Table 11: Inadequately Supported Service Expenses**

Expense Date	NSF Award No.	Inadequately Supported Amount	Inadequate Documentation to Support	Notes
May 2022	[REDACTED]	\$26,404	Invoiced Technician Services	<b>a</b>

Source: Auditor summary of identified exception.

- a) In May 2022, Cornell charged NSF Award No. [REDACTED] for \$26,404 in technician services supported by an invoice that was not itemized in sufficient detail to allow us to

<sup>32</sup> According to 2 CFR § 200.403 (revised November 12, 2020), *Factors affecting allowability of costs*, (g), in order for a cost to be allowable, the cost must be adequately documented. Further, § 200.302, *Financial Management*, (b)(2-3), states that the non-federal entity’s financial systems must provide accurate, current, and complete disclosure of the financial results of each federal award or program and contain information pertaining to expenditures.

<sup>33</sup> According to NSF PAPPGs 20-1, 22-1, and 23-1, Part II, Chapter X, *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, *Cost Principles*; grant terms and conditions; and any other specific requirements of both the award notice and the applicable program solicitation.

<sup>34</sup> According to Cornell’s *Business Expense* policy, appropriate documentation includes the original receipt or original invoice containing the date of purchase, vendor name and address, description of goods and services, quantity, unit price, any other required approval documents, and a grand total of expenditures.

evaluate whether the costs invoiced were reasonable, allocable, or allowable. Although the invoice was for the same amount supported by the vendor’s original itemized quotation, the quotation did not support that the costs billed were allowable because the itemized costs on the quotation (i) did not support \$4,500 of the total direct costs billed and (ii) indicated that the vendor would bill actual labor and flight expenses.

***Inadequately Supported Participant Payments***

Cornell did not capture all of the information required to support the allowability of \$3,464 in participant payments charged to two NSF awards per Cornell’s policies and procedures,<sup>35</sup> as illustrated in Table 12.

**Table 12: Inadequately Supported Participant Payments**

Expense Date	NSF Award No.	Inadequately Supported Amount	Inadequate Documentation to Support	Notes
December 2023	██████████	\$3,280	Participant Payments	<b>a</b>
March 2024	██████████	184	Participant Payment	<b>b</b>

Source: Auditor summary of identified exceptions.

- a) In December 2023, Cornell charged NSF Award No. ██████████ for \$3,280 that it paid to an external vendor to provide incentive payments to participants on Cornell’s behalf. However, Cornell did not provide documentation to support (i) that the vendor appropriately distributed the incentive payments or (ii) the names or identification numbers of the participants who received the payments.
- b) In March 2024, Cornell charged NSF Award No. ██████████ for \$184 in incentive payments that it provided to a participant. However, Cornell did not provide a receipt from the time it distributed the payment to support that it paid the participant.<sup>36</sup>

***Other Inadequately Supported Expenses***

Cornell did not provide sufficient documentation to support the allowability of \$2,260 in health insurance, airfare, and salary expenses charged to three NSF awards, as illustrated in Table 13.

**Table 13: Other Inadequately Supported Expenses**

Expense Date	NSF Award No.	Inadequately Supported Total	Inadequately Supported Expenses Associated With	Notes
January 2022	██████████	\$143	Health Insurance	<b>a</b>
December 2023	██████████	1,381	Airfare and Service Fees	<b>b</b>

<sup>35</sup> The *Human Research Participant Payment* policy within Cornell’s *Buying Manual* requires the Principal Investigator to capture the following information to support all participant payments: date of study and remuneration, type of disbursement, amount of disbursement, individual disbursing payment, and human participant’s name or identification number.

<sup>36</sup> Cornell provided an email from the participant, dated August 13, 2025, that confirmed the participant did attend the workshop and receive the payment. However, because Cornell obtained the email in response to our audit request, rather than appropriately maintaining documentation, we did not remove the questioned costs.

December 2023	████████	736	Salary and Fringe	c
---------------	----------	-----	-------------------	---

Source: Auditor summary of identified exceptions.

- a) In January 2022, Cornell charged NSF Award No. ██████████ for \$1,778 in costs incurred to provide health insurance for a graduate research assistant. However, the Bursar records that Cornell provided to support the expense indicated that the cost was \$1,635. Cornell therefore exceeded the allowable amount by \$143.
- b) In December 2023, Cornell charged NSF Award No. ██████████ for \$1,381 in inadequately supported travel expenses. Specifically, we could not verify the allowability of these expenses because Cornell did not provide documentation to support that the traveler booked the airfare at an economy rate<sup>37</sup> or that the two service fees incurred had a business purpose.
- c) In December 2023, Cornell charged NSF Award No. ██████████ for \$736 in salary and fringe paid to an intern that exceeded the salary and fringe supported as allowable based on the intern’s timesheets.

### Conclusion

The policies, procedures, and internal controls Cornell had in place were not sufficient to ensure that Cornell received and maintained adequate documentation to support the allowability of external service expenses, payments made to participants, and expenses related to airfare, health insurance, and salary. We are therefore questioning \$32,128 in inadequately supported expenses charged to six NSF awards. Cornell agreed to reimburse NSF for \$7,544 in questioned costs, but disagreed with the remaining \$24,584, as illustrated in Table 14.

**Table 14: Finding 2 Summary: Inadequately Supported Expenses**

NSF Award No.	Description	Fiscal Year	Questioned Costs			Cornell Agreed to Reimburse
			Direct	Indirect	Total	
████████	May 2022 Inadequately Supported Service Expense	2022	\$16,100	\$10,304	\$26,404	\$4,264
████████	December 2023 Inadequately Supported Participant Payments	2024	2,000	1,280	3,280	3,280
████████	March 2024 Inadequately Supported Participant Payment	2024	112	72	184	-
████████	January 2022 Inadequately Supported Health Insurance Expense	2023	143	-	143	-

<sup>37</sup> According to 2 CFR § 200.475 (revised November 12, 2020), *Travel Costs*, (e), airfare costs in excess of the basic, least expensive unrestricted accommodations class offered by commercial airlines are unallowable.

NSF Award No.	Description	Fiscal Year	Questioned Costs			
			Direct	Indirect	Total	Cornell Agreed to Reimburse
██████████	December 2023 Inadequately Supported Travel	2024	842	539	1,381	-
██████████	December 2023 Inadequately Supported Salary	2024	469	267	736	-
<b>Total</b>			<b><u>\$19,666</u></b>	<b><u>\$12,462</u></b>	<b><u>\$32,128</u></b>	<b><u>\$7,544</u></b>

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 \$24,584 in questioned inadequately supported service, participant, health insurance, travel, and salary expenses and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$7,544 in questioned service and participant expenses for which it has agreed to reimburse NSF.
- 2.3 Direct Cornell to strengthen its procedures or other internal controls for obtaining and maintaining documentation to support costs charged to NSF awards. The updated procedures or controls should ensure:
  - Vendors submit service invoices that contain sufficient detail to support that the costs invoiced are: (i) allowable per applicable federal, NSF, and Cornell policies; and (ii) consistent with the approved quotation or purchase order.
  - Principal Investigators, or other appropriate personnel, capture all participant payment information required per the *Human Research Participant Payment* policy in Cornell’s *Buying Manual*.
  - Travelers submit airfare receipts that identify the airfare class purchased.
  - Charges for salary paid to hourly employees are supported by employee timesheets.

**Cornell University Response:** Cornell agreed to reimburse NSF for \$7,544 in questioned costs, but disagreed with the remaining \$24,584 in questioned costs, as follows:

- With respect to the \$22,140 Cornell did not agree to reimburse for the inadequately supported service expense charged to NSF Award No. ██████████ Cornell believes the

costs should be allowable as the vendor provided an invoice for the total service cost, which were consistent with their quote.

- With respect to the \$184 Cornell did not agree to reimburse for an inadequately supported participant payment charged to NSF Award No. [REDACTED] Cornell believes the costs should be allowable as it confirmed the participant received the payment during the audit engagement.
- With respect to the \$143 Cornell did not agree to reimburse for inadequately supported health insurance expenses charged to NSF Award No. [REDACTED] Cornell believes the costs should be allowable as it provided documentation to substantiate the student's academic year health insurance, and health fees totaled \$1,777.50 per semester.
- With respect to the \$1,381 Cornell did not agree to reimburse for inadequately supported travel costs charged to NSF Award No. [REDACTED] Cornell believes the airfare should be allowable as it found a ticket for the same price for another traveler that indicated the flight was economy class.
- With respect to the \$736 Cornell did not agree to reimburse for inadequately supported salary charged to NSF Award No. [REDACTED] Cornell believes the costs should be allowable as they are required to be paid per New York State Labor Laws.

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

- With respect to the \$22,140 Cornell did not agree to reimburse for inadequately supported service expenses charged to NSF Award No. [REDACTED] because the vendor's invoice does not support the actual labor time or travel costs incurred, consistent with the billing method included in the vendor's itemized quote and with Cornell's Business Expense policy, our position regarding this exception has not changed.
- With respect to the \$184 Cornell did not agree to reimburse for an inadequately supported participant payment charged to NSF Award No. [REDACTED] because Cornell did not provide a participant payment receipt from the time this payment was made, which was provided for all other participants, but rather provided an email it obtained from the participant in response to our audit, our position regarding this exception has not changed.
- With respect to the \$143 Cornell did not agree to reimburse for inadequately supported health insurance costs charged to NSF Award No. [REDACTED] because the Bursar records that Cornell provided supported the health insurance for the sampled semester totaled \$1,635, rather than the \$1,777.50 Cornell's response notes, our position regarding this exception has not changed.

- With respect to the \$1,381 Cornell did not agree to reimburse for inadequately supported travel charged to NSF Award No. [REDACTED] because Cornell did not provide our team with documentation to support that the traveler purchased an economy ticket, our position regarding this exception has not changed.
- With respect to the \$736 Cornell did not agree to reimburse for inadequately supported salary costs charged to NSF Award No. [REDACTED] because the amount charged to the NSF award exceeded the amount of salary and fringe supported as allowable based on the hours recorded in the intern’s timesheets, our position regarding this exception has not changed.

### **FINDING 3: INAPPROPRIATELY ALLOCATED EXPENSES**

Cornell did not always allocate expenses to NSF awards based on the relative benefits the awards received, as required per federal regulations<sup>38</sup> and NSF PAPPGs.<sup>39</sup> As a result, Cornell charged five NSF awards a total of \$22,321 in inappropriately allocated publication, travel, and recruitment expenses.

#### ***Inappropriately Allocated Publication Expenses***

Cornell inappropriately allocated \$18,547 in publication expenses to three NSF awards because it did not charge the publication expenses consistent with the relevant benefits that the awards received, as illustrated in Table 15.

**Table 15: Inappropriately Allocated Publication Expenses**

Expense Date	NSF Award No.	Amount Charged	Percent Not Allocable (%)	Amount Inappropriately Allocated	Notes
April 2023	[REDACTED]	\$18,353	66.67	\$12,235	a
January 2024	[REDACTED]	10,189	50.00	5,095	b
July 2024	[REDACTED]	2,434	50.00	1,217	c

*Source: Auditor summary of identified exceptions.*

- a) In April 2023, Cornell charged NSF Award No. [REDACTED] for \$18,353—or 100 percent—of the expenses incurred to publish a research article that acknowledged three NSF funding sources.<sup>40</sup> Because the published research acknowledged support from three funding sources and because Cornell acknowledged that work performed on all three awards contributed to the published research, \$12,235—or 66.67 percent—of the publication costs were not allocable to NSF Award No. [REDACTED]

<sup>38</sup> According to 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 the relative benefits received.

<sup>39</sup> According to NSF PAPPGs 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.

<sup>40</sup> We confirmed that Cornell managed all three of the funding sources cited and that all three sources were open at the time Cornell incurred the publication expense.



based on the benefit the award received, or allocated recruitment expenses based on the time/effort that recruited personnel dedicated to the funding source(s) charged. We are therefore questioning \$22,321 of publication, travel, and recruitment expenses that Cornell inappropriately allocated to five NSF awards. Cornell agreed to reimburse NSF for \$4,991 in questioned costs, but disagreed with the remaining \$17,330, as illustrated in Table 17.

**Table 17: Finding 3 Summary: Inappropriately Allocated Expenses**

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			Cornell Agreed to Reimburse
			Direct	Indirect	Total	
	April 2023 Publication	2023	\$7,793	\$4,442	\$12,235	\$-
	January 2024 Publication	2023	3,245	1,850	5,095	-
	July 2024 Publication	2023	775	442	1,217	1,217
	October 2021 Travel	2022	694	180	874	874
	November 2021 Recruitment	2022	1,768	1,132	2,900	2,900
<b>Total</b>			<b><u>\$14,275</u></b>	<b><u>\$8,046</u></b>	<b><u>\$22,321</u></b>	<b><u>\$4,991</u></b>

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 \$17,330 in questioned inappropriately allocated publication expenses for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 3.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$4,991 in questioned publication, travel, and recruitment expenses for which it has agreed to reimburse NSF.
- 3.3 Direct Cornell to strengthen its policies and procedures and internal controls related to allocating expenses to sponsored projects. The updated procedures should ensure Cornell allocates:
  - Publication expenses to NSF awards consistent with the benefits received by the acknowledged funding and appropriately documents its allocation methodology.
  - Travel that benefits multiple projects in a manner that is consistent with agreed-upon allocation methodologies.
  - Recruitment expenses to NSF awards in a manner that is consistent with recruited employees’ certified effort reports.

**Cornell University Response:** Cornell agreed to reimburse NSF for \$4,991 of the questioned costs, but disagreed with the remaining \$17,330 in questioned costs, as follows:

- With respect to the \$12,235 Cornell did not agree to reimburse for the publication expense charged to NSF Award No. [REDACTED] Cornell believes the costs were appropriately allocated as the other mentioned projects did not benefit from the publication, nor did the contributions rise to a level that warranted sharing expenses for the publication that was the result of work performed under NSF Award No. [REDACTED]
- With respect to the \$5,095 Cornell did not agree to reimburse for the publication expense charged to NSF Award No. [REDACTED] Cornell believes the costs were appropriately allocated because the contribution of the other recognized project did not rise to a level that warranted sharing expenses for the publication that was the result of the work performed under the NSF Award No. [REDACTED]

**Auditors’ Additional Comments:** Our position regarding this finding has not changed. Because the projects mentioned in these publications appear to have benefited from the publication expenses and because Cornell did not document if/how it determined that 100 percent of the publication expense was reasonably allocated to the NSF awards charged, our position regarding these exceptions has not changed.

**FINDING 4: INDIRECT COST RATES NOT APPROPRIATELY APPLIED**

Cornell did not apply indirect cost rates to its **Modified Total Direct Costs (MTDCs)** consistent with NSF program solicitations or with Cornell’s NICRAs. As a result, Cornell charged two NSF awards for \$2,888 in unallowable expenses, as illustrated in Table 18.

**Table 18: Indirect Cost Rates Not Appropriately Applied**

NSF Award No.	Direct Expense Type	NSF Award Date	Expense Date	Rate Applied (%)	Appropriate Rate (%)	Inappropriately Charged Indirect Costs	Notes
[REDACTED]	Other Direct Cost	9/10/2020	5/27/2022	57	11.11	\$2,295	a
[REDACTED]	Participant Travel	2/4/2019	12/12/2022	57	0	593	b

Source: Auditor summary of identified exceptions.

- a) In May 2022, Cornell charged NSF Award No. [REDACTED] for \$2,295 in unallowable indirect costs because it applied an indirect cost rate of 57 percent instead of the 11.11 percent indirect cost rate allowable on I-Corps awards.<sup>41</sup>

<sup>41</sup> As NSF 21-552, Innovation Corps – National Innovation Teams Program (I-Corps™ Teams), Section V.B., *Budgetary Information* states that recovery of indirect costs shall be limited to \$5,000 of the \$50,000 I-Corps awards, I-Corps budgets allow an 11.11 percent indirect cost rate (\$5,000 in indirect costs/ \$45,000 in direct costs = 11.11 percent).

b) In December 2022, Cornell charged NSF Award No. [REDACTED] for \$593 in indirect costs that were not appropriately applied to Research Experiences for Undergraduates (REU) participant travel expenses. Specifically, because the traveler was an REU site student identified as a participant on the award, the travel expense was coded to a general ledger account used to track participant support costs, and participant support costs are not allowable in Cornell's MTDC base, it should not have applied its indirect cost rate to the sampled travel expenses.<sup>42</sup>

## Conclusion

Cornell did not have sufficient policies, procedures, or internal controls in place to ensure it applied the budgeted indirect cost rate that was applicable to I-Corps award expenses or to ensure it appropriately charged participant travel expenses to general ledger accounts that it has excluded from its MTDC base. We are therefore questioning \$2,888 in unallowable indirect costs not appropriately applied to two NSF awards. Cornell agreed to reimburse NSF for \$2,295 in questioned costs, but disagreed with the remaining \$593, as illustrated in Table 19.

**Table 19: Finding 4 Summary: Indirect Cost Rate Not Appropriately Applied**

NSF Award No.	Description	Fiscal Year(s)	Questioned Costs			Cornell Agreed to Reimburse
			Direct	Indirect	Total	
[REDACTED]	May 2022 Other Direct Cost	2022	-	\$2,295	\$2,295	\$2,295
[REDACTED]	December 2022 Travel	2023	-	593	593	-
<b>Total</b>			<u>\$</u>	<u>\$2,888</u>	<u>\$2,888</u>	<u>\$2,295</u>

Source: Auditor summary of identified exceptions.

## Recommendations

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

- 4.1 Resolve the \$593 in questioned indirect costs for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 4.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$2,295 in questioned indirect costs for which it has agreed to reimburse NSF.
- 4.3 Direct Cornell to strengthen its policies, procedures, and internal control processes for applying its indirect cost rates to ensure it applies appropriate indirect cost

<sup>42</sup> According to Cornell's NICRA dated June 26, 2018, Cornell's MTDC base shall exclude 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.

rates, including rates established in NSF budgets, to only those direct costs that it should include in its Modified Total Direct Cost base per its applicable Negotiated Indirect Cost Rate Agreement(s).

**Cornell University Response:** Cornell agreed to reimburse NSF for \$2,295 of questioned costs but disagreed with the remaining \$593 in questioned costs. Specifically, Cornell believes the \$593 in indirect costs applied to travel charged to NSF Award No. [REDACTED] should be allowable as the individual’s travel and attendance at the sampled conference was not related to their role as a participant.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed. Specifically, as the purpose of the trip was for the REU site student to present research relevant to their REU experience, the student was identified as a participant on the award, and the expense was coded to a general ledger account used to track participant support costs, we believe the travel is consistent with the participant support cost budget and therefore should not have incurred any indirect costs.

**FINDING 5: NON-COMPLIANCE WITH SUBAWARD REQUIREMENTS**

Cornell did not always comply with federal requirements for pass-through entities to (i) evaluate subrecipient fraud risk and risk of noncompliance and (ii) monitor the activities of the subrecipient.<sup>43</sup>

***Non-Compliance with Risk Assessment Requirements***

Cornell did not appropriately perform—or appropriately document that it performed—a risk assessment in compliance with its *Subawards: Risk Assessment* policy,<sup>44</sup> as illustrated in Table 20.

**Table 20: Non-Compliance with Risk Assessment Requirements**

NSF Award No.	Subaward Effective Date	Non Compliance With Subrecipient:	Notes
[REDACTED]	10/1/2016	Risk Assessment Requirements	a

Source: Auditor summary of identified exceptions.

- a) Cornell did not provide documentation to support that it performed a risk assessment of one subawardee prior to executing a subaward related to NSF Award No. [REDACTED]

***Non-Compliance with Subaward Invoice Certifications***

<sup>43</sup> According to 2 CFR § 200.332 (revised November 12, 2020), *Requirements for Pass-Through Entities*, (b), pass-through entities must evaluate each subawardee’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the purposes of determining the appropriate subawardee monitoring. Further, per section (d), pass-through entities must monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward.

<sup>44</sup> Cornell’s *Subawards: Risk Assessment* policy supports that subrecipient risk assessments consider the subrecipient’s financial status and internal controls, the amount of the subaward, the percentage of the award passed through to the subrecipient, and the program’s complexity.

Cornell did not ensure that one subawardee submitted an invoice that included a certification as to the accuracy and appropriateness of the expenses as required per federal regulations,<sup>45</sup> Cornell policy,<sup>46</sup> and the subaward’s terms and conditions,<sup>47</sup> as illustrated in Table 21.

**Table 21: Non-Compliance with Subaward Invoice Certifications**

NSF Award No.	Subaward Invoice Date	Non Compliance With Subrecipient	Notes
██████████	4/30/2024	Invoice Certifications	a

Source: Auditor summary of identified exceptions.

- a) In April 2024, a subawardee invoiced Cornell for expenses charged to NSF Award No. ██████████ however, the invoice did not include a certification as to the accuracy and appropriateness of the expenses.

***Non-Compliance with Monitoring Requirements***

Cornell did not review the financial and performance reports required per its subaward agreement terms and conditions, as required per federal regulations.<sup>48</sup> Specifically, Cornell did not provide the annual progress reports required<sup>49</sup> for four NSF award subrecipients, as illustrated in Table 22.

**Table 22: Non-Compliance with Monitoring Requirements**

NSF Award No.	Non Compliance with Subrecipient	Subaward Effective Date	Annual Progress Reports Not Submitted for
██████████	Monitoring Requirements	9/1/2018	2018, 2019, 2020, 2021, 2022, or 2023
██████████	Monitoring Requirements	3/1/2018	2024
██████████	Monitoring Requirements	1/1/2021	2021, 2022, 2023, or 2024
██████████	Monitoring Requirements	6/1/2021	2021, 2022, 2023, or 2024

Source: Auditor summary of identified exceptions.

<sup>45</sup> According to 2 CFR § 200.415 (revised November 12, 2020), *Required Certifications*, (a) Subrecipients under the Federal award must certify to the pass-through entity whenever applying for funds, requesting payment, and submitting financial reports: “I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812.”

<sup>46</sup> Cornell’s *Payments to Subrecipients on Sponsored Projects* policy states that all subrecipients shall certify each invoice the costs are the actual costs as recorded in the subrecipient’s records and as expended.

<sup>47</sup> *Subaward Terms and Conditions*, Section 7.e, invoices shall include a certification signed by an authorized representative of the Subrecipient on each invoice.

<sup>48</sup> According to 2 CFR § 200.332 (revised November 12, 2020), *Requirements for Pass-Through Entities*, (d)(1), pass-through entity monitoring of subrecipients must include reviewing financial and performance reports required by the pass-through entity.

<sup>49</sup> Attachment 4, *Reporting and Prior Approval Terms*, or Section 10, *Reporting*, of each subaward agreement included requirements for annual reports, a final technical/progress report, or a final invention report.

## Conclusion

Cornell’s subrecipient monitoring procedures were not adequate to ensure that it appropriately performed—or documented that it performed—a risk assessment, that subawardee invoices included all of the required data elements, and subaward monitoring activities were in compliance with federal requirements for pass-through entities and with its internal policies. Because these instances of non-compliance did not directly result in Cornell charging unallowable costs to NSF awards, we are not questioning any costs related to this finding. However, we are noting compliance exceptions for the instances of non-compliance with pass-through requirements identified, as illustrated in Table 23.

**Table 23: Finding Summary 5: Non-Compliance with Subaward Requirements**

NSF Award No.	Description
██████████	Non-Compliance with Risk Assessment Requirements
██████████	Non-Compliance with Subaward Invoice Certifications
██████████	Non-Compliance with Monitoring Requirements

*Source: Auditor summary of identified exceptions.*

## Recommendations

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

- 5.1 Direct Cornell to implement additional procedures to ensure that it performs—and appropriately documents its performance of—risk assessments in compliance with federal requirements for pass-through entities and Cornell’s internal policies.
- 5.2 Direct Cornell to develop additional resources for subawardees that provide guidance on how to ensure they appropriately account for and invoice expenses on a cost-reimbursement basis consistent with subaward terms and conditions.
- 5.3 Direct Cornell to implement additional policies or procedures to ensure that subawardees complete and submit—and that Cornell reviews and maintains—any progress, technical, or other reports that Cornell requires per the subaward terms and conditions.

**Cornell University Response:** While Cornell did not agree or disagree with the exceptions identified in this finding, it recognized the need for improved processes around completing and maintaining subrecipient risk assessments, reviewing subrecipient invoices prior to payment, enhancing subaward agreement language surrounding deliverables to ensure it aligns with the project needs, and supporting education and outreach efforts with respect to subrecipient monitoring.

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

## **FINDING 6: NON-COMPLIANCE WITH CORNELL POLICIES**

Cornell did not comply with—or document its compliance with—its procurement, travel, and capital assets policies when incurring costs charged to six NSF awards.

### ***Non-Compliance with Cornell's Procurement Policies***

Cornell did not document its compliance with its procurement policies when incurring expenses charged to three NSF awards, as illustrated in Table 24.

**Table 24: Non-Compliance with Cornell's Procurement Policies**

Expense Date	NSF Award No.	Fiscal Year(s)	Non Compliance With Cornell's	Notes
October 2021	████████	2022	Procurement of Goods and Services Policy	<b>a</b>
November 2022	████████	2023	Business Expense Policy	<b>b</b>
March 2024	████████	2024	Buying Manual	<b>c</b>

*Source:* Auditor summary of identified exceptions.

- a)** In October 2021, Cornell charged NSF Award No. ██████████ for \$2,780 in publication expenses that the employee paid using a travel and meal card, rather than using approved payment methods (e.g., procurement card, direct payment to the vendor), as required by Cornell's *Procurement of Goods and Services Policy*.<sup>50</sup>
- b)** In November 2022, Cornell charged NSF Award No. ██████████ for \$15,000 in contracted software services. Cornell paid this amount before receiving the purchase order and payment request approvals required by Cornell's *Business Expense Policy*.<sup>51</sup>
- c)** In March 2024, Cornell charged NSF Award No. ██████████ for \$4,368 in participant support costs that Cornell paid in cash, rather than using university checks, as required by Cornell's *Buying Manual*.<sup>52</sup>

### ***Non-Compliance with Cornell's Travel Policies***

Cornell did not comply with its travel policies when charging travel expenses to two NSF awards, as illustrated in Table 25.

<sup>50</sup> According to Cornell's *Procurement of Goods and Services Policy*, units must use an approved payment method when paying for goods or services, such as procurement cards or direct payment to the vendor by check or equivalent electronic payment methods.

<sup>51</sup> According to Cornell's *Business Expense Policy*, before initiating a transaction on behalf of the university, the individual (the initiator) is responsible for assessing whether the proposed business expense is in support of the university's missions. This individual is also responsible for ensuring they have acquired appropriate approval, or that they have the appropriate authority, to initiate the expenditure.

<sup>52</sup> According to Cornell's *Buying Manual*, "Payments to human participants over \$100 per occurrence must be paid directly to the individual via university check."

**Table 25: Non-Compliance with Cornell's Travel Policies**

Expense Date	NSF Award No.	Fiscal Year(s)	Non Compliance With Cornell's Travel Policies	Notes
October 2022	████████	2023	Travel Expense Reporting Policy	<b>a</b>
September 2023	████████	2024	Mileage and Per Diem Policy	<b>b</b>

Source: Auditor summary of identified exceptions.

- a) In October 2022, Cornell charged NSF Award No. ██████████ for travel expenses reimbursed to a traveler who did not submit an expense report, as required by Cornell's *Travel Expense Reporting Policy*.<sup>53</sup>
- b) In September 2023, Cornell approved an expense report submitted by a graduate student who did not claim per diem based on the location of their lodging, as required per Cornell's *Mileage and Per Diem Policy*.<sup>54</sup>

**Non-Compliance with Cornell's Capital Assets Policy**

Cornell did not comply with its *Capital Assets Policies and Procedures*, which require it to include computer servers in the biennial physical inventory,<sup>55</sup> when completing its inventory of **equipment** charged to one NSF award, as illustrated in Table 26.

**Table 26: Non-Compliance with Cornell's Capital Assets Policy**

Expense Date	NSF Award No.	Fiscal Year(s)	Non Compliance With Cornell's	Notes
September 2022	████████	2023	Capital Assets Policies and Procedures	<b>a</b>

Source: Auditor summary of identified exception.

- a) When completing its 2024 biennial inventory, Cornell did not include \$55,146 in computer servers it had charged to NSF Award No. ██████████ in September 2022.

<sup>53</sup> According to Cornell's *Travel Expense Reporting Policy*, all expense reports must be submitted within 60 calendar days of the day you return from travel.

<sup>54</sup> According to Cornell's *Mileage and Per Diem Policy*, "The Department of Defense (DOD) sets rates for Alaska, Hawaii, U.S. Territories, and Possessions (Outside the continental U.S. or OCONUS rates). These rates are updated annually or as necessary."

<sup>55</sup> According to Cornell's *Capital Assets Policies and Procedures*, "To identify ownership and complete the physical inventory process, barcode tags must be affixed to all new, movable capital equipment valued at \$5,000 or more. The barcode tag is a unique number that the unit can scan electronically to update the inventory records. The unit must perform physical inventory of all movable equipment every two years. To maintain accurate inventory lists throughout the year, units should update capital asset information in KFS [Kuali Financial System] as changes occur. The physical inventory process will reveal discrepancies between recorded data and physical assets. Units must reconcile discrepancies and update the records."

## Conclusion

The procedures and other internal controls Cornell had in place did not ensure it complied with its internal policies when charging expenses to NSF awards. Specifically, Cornell did not always ensure that it used the correct payment method when purchasing publications and software and incurring participant support cost expenses. Additionally, Cornell did not always review, collect, and approve expense reports and purchase orders prior to payment. Lastly, Cornell did not ensure that it included all its equipment in its biennial inventory. Because these instances of non-compliance did not directly result in Cornell charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions. However, we are noting compliance exceptions for the six instances in which Cornell did not comply with its procurement, travel, and capital assets policies when charging costs to NSF awards, as illustrated in Table 27.

**Table 27: Finding 6 Summary: Non-Compliance with Cornell Policies**

NSF Award No.	Compliance Exception Identified	Fiscal Year(s)
██████	Non-Compliance with Cornell's Procurement Policies	2022
██████	Non-Compliance with Cornell's Procurement Policies	2023
██████	Non-Compliance with Cornell's Procurement Policies	2024
██████	Non-Compliance with Cornell's Travel Policies	2023
██████	Non-Compliance with Cornell's Travel Policies	2024
██████	Non-Compliance with Cornell's Capital Assets Policy	2023

*Source: Auditor summary of identified exceptions.*

## Recommendations

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

- 6.1 Direct Cornell to implement additional procedures and/or internal controls, as necessary, to ensure it complies with its internal policies when overseeing costs charged to NSF awards. The updated controls should ensure Cornell verifies that it and its personnel:
- Use the correct procurement method and collect and approve all necessary documentation prior to payment.
  - Submit expense reports and claim per diem at the lodging location rate prior to approving travel expenses for reimbursement.
  - Appropriately tag all equipment charged to NSF awards for inclusion in Cornell's biennial physical inventory account.

**Cornell University Response:** While Cornell did not agree or disagree with the exceptions identified in this finding, it recognized the need for improved processes around procured

goods and services, the review and approval of expense reports for travelers, and capital asset inventorying.

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

*Sikich CPA LLC*

March 2, 2026

**APPENDIX A: CORNELL UNIVERSITY'S RESPONSE**

---



Cornell University

Office of the University Controller

Jeffrey A. Silber
Senior Director
Sponsored Financial Services
377 Pine Tree Road
Ithaca, New York 14850-2820
t. 607.255.2016
f. 607.255.0327
silber@cornell.edu

January 30, 2026

Megan Mesko
Sikich CPA, LLP
333 John Carlyle Street, Suite 500
Alexandria, VA 22314

RE: Cornell University: performance audit of costs incurred on National Science Foundation awards between October 1, 2021, and September 30, 2024.

Dear Ms. Mesko:

Cornell University (the "University") submits these comments in response to the draft audit report issued by Sikich CPA LLC on January 14, 2026, resulting from the performance audit of incurred costs referenced above. The University acknowledges that audits, internal and external, are vital to ensure the efficacy of the University's internal controls and stewardship of federal resources and appreciates the respectful and collaborative nature of this engagement.

Summary:

Each of the auditors' findings incorporated within this report has been reviewed, and although we may not agree with every one, we recognize that our overall processes can only be enhanced through the efforts of this engagement.

A summary of the University's position pertaining to the questioned costs is below:

Table with 3 columns: Finding Description, Questioned Costs, University Accepts. Rows include Unallowable Expenses, Inadequately Supported Expenses, Inappropriately Allocated Expenses, and Indirect Cost Rate Inappropriately Applied.

Cornell is an equal opportunity employer. For more information visit hr.cornell.edu/eeeo.

**Finding 1: Unallowable Expenses**

**Publication:**

- a. Cornell agrees. The University returned \$6,177.72 via ACMS for publication expenses that did not acknowledge the NSF support.
- b. Cornell agrees. The University will credit the active agreement for \$18,791.12 for publication expenses that did not properly acknowledge the NSF. The website from which these PDF documents are launched acknowledges support, including the NSF ID. The printable PDF documents acknowledge the facility and NSF but lacked specificity. Our office will work with the facility to update the acknowledgements in the PDF documents for future online reference.

**Travel:**

- a. Cornell agrees.
- b. Cornell agrees
- c. Cornell partially agrees.
  - a. University agrees that the Fly America exemption was not documented and therefore the airfare costs of \$2,597 are unallowable. The additional lodging costs (\$1,311) due to a COVID outbreak and quarantine were deemed to be reasonable and necessary to maintain the health and safety of the traveler.
  - b. Total travel direct expenses, \$13,551.38, exceeded the reimbursed amount given the limitation of the [REDACTED] Grant, direct costs \$12,465. Unreimbursed direct costs = 1,086.38.
  - c. The unallowable airfare of 2,597.46 decreases the total direct travel expenses to 10,953.93. Therefore, the direct travel costs unallowable = \$1,511.08 (2,597.46 – 1086.38)
  - d. We calculate \$1,903.96, inclusive of indirect expense, is to be reimbursed to NSF
- d. Cornell agrees.
- e. Cornell agrees.
- f. Cornell partially agrees
  - a. The University minimizes airline travel costs through purchases of non-refundable airline tickets. Flights cancelled outside of the immediate control of the traveler occasionally result in rebooking tickets fees.
  - b. Travel costs of \$206.51 include a seat upgrade and ticketing changes due to personal reasons that are not to be expensed to the project. \$338.68, inclusive of indirect will be credited to the active agreement.
  - c. Travel costs associated with unavoidable changes may result in rebooking fees. Travel costs and indirect costs of \$3,178.04 associated were deemed to be reasonable.
- g. Cornell does not agree.

Audio/visual support for the [REDACTED] was proposed as component of the [REDACTED] costs. A University technical staff member traveled to the [REDACTED] in the capacity of providing audio/visual, communications, and videography support. Video outreach is a significant component of the broader impacts for this program. The University contends the travel costs of \$1,270.75 to support this function are an allowable expense.
- h. Cornell agrees.

**Of the proposed travel findings:**

- The University agrees to credit active agreements \$3,610.48.  
The University agrees to return \$540.41 via pay.gov for a closed agreement.  
The University agrees to return via ACMS \$3,184.65 for closed agreements accessible therein.

### **Fringe Benefits:**

The University does not concur with the disallowance of the fringe benefit expense; however, the University does agree that the fringe benefit rate was incorrectly applied in instance a.

A current University employee was designated as an I-Corp Entrepreneurial Lead (EL) through a separate appointment from their regular duties. Per the solicitation, 21-552, I-Corp leads can be budgeted as stipend or compensation. When a university employee receives additional compensation, and a stipend is compensatory in this case, the additional compensation is processed as payroll to comply with Internal Revenue Service and related payroll regulations. Such payments, when unrelated to an individual's regular position, assess a 10% fringe benefit rate, in accordance with our federal Negotiated Indirect Cost Rate Agreement (NICRA), to cover the cost of statutory benefits. We assert \$1,500 of benefit expenses are appropriate and allowable in each instance.

For a. the University returned \$ 4,499.95 via ACM\$ for benefit expenses assessed at an incorrect rate.

### **Long-Term Visa Expense:**

The University does not concur with this finding, as federal sources present an H1-B visa as a short-term, non-immigrant visa and thus a compliant recruiting cost as defined in the PAPPG and 2 CFR 200

The Uniform Guidance in 2 CFR 200.463(d) indicates that the opposite of a short-term visa is a longer-term immigration visa where it states "Short-term visas (as opposed to longer-term immigration visas)". Documentation on the U.S. Citizenship and Immigration Services site clearly notes that the H1-B is not an immigrant visa.

From <https://www.uscis.gov/working-in-the-united-states/h-1b-specialty-occupations> "H-1B Specialty Occupations ... This nonimmigrant classification." The U.S. Department of Labor at <https://www.dol.gov/agencies/whd/immigration/h1b> also notes "The H-1B program applies to employers seeking to hire nonimmigrant aliens as workers in specialty occupations or as fashion models of distinguished merit and ability. A specialty occupation is one that requires the application of a body of highly specialized knowledge and the attainment of at least a bachelor's degree or its equivalent. The intent of the H-1B provisions is to help employers who cannot otherwise obtain needed business skills and abilities from the U.S. workforce by authorizing the temporary employment of qualified individuals who are not otherwise authorized to work in the United States." See also the table at <https://travel.state.gov/content/travel/cn/us-visas/visa-information-resources/all-visa-categories.html> .

The normal initial period of an H-1B visa is three years, as opposed to a green card which has a longer, ten-year, term. Numerous Internet sources cite "long-term" as being analogous to "immigrant" as it pertains to visas. We recognize that in many cases the Uniform Guidance uses language that isn't clearly tied to a statutory definition and given the context of "recruitment" we assert that the H-1B is indeed intended to be allowable as long as the other criteria are met. As an additional note, the 2024 2 CFR 200 revisions, while not directly applicable to the award, removes the term "travel" from the description of these visas. The Federal Register language does not suggest that this is a change in policy, but rather a clarification. It notes "OMB revised Paragraph (d) of section 200.463 to restructure the sentence on short-term visa costs for the sake of clarity. OMB considers the revised language to flow better than the previously proposed language."

### **Participant Expenses**

The University does not concur with the following items:

- a. The Principal Investigator (PI) reached out to the agency to request support for the stipend increase to align with the current Research Training Group (RTG) stipend levels during that year. The program

officer supported that increase, and furthermore there was no budgetary restriction noted.  
<https://www.nsf.gov/funding/opportunities/rtg-research-training-groups-mathematical-sciences/nsf20-608/solicitation>

- b. The support for the [REDACTED] was not recorded to a participant support cost category. The expenses were recorded as 'Other Direct Costs' and assessed indirect. The general ledger includes specific cost categories and subaccounts to identify participant support training costs to monitor budget restrictions. It is noted that the costs were recorded to a subaccount used to monitor participant training budget-to-actual activity; however, because the cost category was not specifically coded as participant training costs, the approved budget for participant training was not utilized.
- c. There were two workshops in New York City. The first was on [REDACTED] for which no incentive was offered or paid to the participants. The workshop on this day was targeted towards professionals and researchers working on [REDACTED]. The second workshop was on [REDACTED] that was targeted towards under-served communities grappling with specific [REDACTED]. The incentive and the travel reimbursement was only offered and paid to community members who attended the second workshop on [REDACTED]. The individual, a community member, was invited to attend the [REDACTED] session, but was only able to attend the [REDACTED] session due to scheduling conflicts. It was determined that their participation in one of the workshops was still valuable because they work in the area of [REDACTED]. Hence the support for this individual's participation in the previous day's workshop was offered to facilitate their attendance. The workshops were not designed to be a two-day workshop, but as separate workshops for targeted audience groups. The support was not intended for attendance at both sessions, but rather only for the community members.

#### **Summer Salary:**

Cornell partially agrees. The University recognizes that using estimated salary in the calculation of summer salary is to be avoided. The University's guidance clearly indicate that the ensuing year's actual salary is to be used. While university records indicate a July 1 salary increase, for the purpose of the "9 over 12" payroll (nine months paid over a 12-month period), work during the summer months is, by policy, to be paid at the ensuing year's salary. Thus, both instances should be allowable at the rate of the ensuing year. For item a. an Institutional Base Salary (IBS) of \$131,690 should have been used and therefore \$182 in salary and \$67.34 in benefits is unallowable. The total expected to be returned to NSF, inclusive of IDC is \$391.46.

#### **Promotional Expenses:**

The university concurs with the finding. The agreement has been credited for the expenses, \$2,412.77.

#### **Finding 2: Inadequately Supported Expenses**

##### **Services:**

Cornell partially concurs. The vendor provided an invoice for the total service which was consistent with their quote. There is no dispute that the service was rendered by the vendor. Reasonableness of the amount was established when the order was initiated and our approval of the invoice recognized that the costs were consistent with the original amount and that the service was delivered. We note that one could read the quote to say that certain elements would be billed at cost, however we interpret their breakdown to be an illustration of the components while the amount quoted was fixed.

The vendor noted the travel costs at the time of the service were \$2,600. Given the language and interpretation that the travel costs should have reflected actual costs and the travel costs were unsubstantiated,

the University agrees to return \$4,264 to the active project. We believe that the remainder of this expense conforms to allowability criteria.

**Participant Payments:**

- a. Cornell concurs. The University returned \$3,280 via ACM\$ for unsubstantiated participant (research subject) incentives.
- b. Cornell does not concur. In one instance, the workshop participant left the session without collecting their support payment, and thus no receipt was prepared. All other attendees received the incentive and provided a receipt at the time of the workshop. The project team communicated with the attendee and made arrangements to provide that support. They sent the support via USPS quickly after the session. Although they followed up to confirm receipt soon thereafter, it was not formally confirmed as received until this engagement. It should also be noted that the recipient was aware of the forthcoming payment and expecting it. Had it not been received, they might have followed up directly. We recognize that this is not a standard practice and believe that it is acceptable as an exception.

**Other:**

The University disagrees with the following three findings as noted below.

- a. The student's full academic statement and the provided Excel file with the full academic year tuition/insurance in the student ledger provide details substantiating this charge. The academic year health insurance and health fees are \$3,355. This was assessed at \$1,920 in July 2021 with a credit issued in January 2022 of \$142.50 for the Fall 2021 semester and \$1,777.50 for spring 2022. The amount charged to the project in the Spring was \$1777.50.
- b. The travel costs associated with [REDACTED] included tickets that identified the class as economy. There is one ticket included for \$841.56 - [REDACTED] which indicates the economy class thereon.
- c. New York State Labor Laws include an earnings calculation for split shift and spread of hours. According to the regulation, "An employee shall receive one hour's pay at the basic minimum hourly wage rate, in addition to the minimum wage required in this Part for any day in which: (a) the spread of hours exceeds 10 hours; or (b) there is a split shift; or (c) both situations occur". This is reflected on the time card details as split/spread and reflected in the individual's earnings as earnings code [REDACTED]. The noted discrepancy is associated with these earnings. These earnings are required to be paid to the individual and thus are appropriately charged to the agreement.
  - a. Example: For period ending [REDACTED] the employee had earnings of \$99.40 associated with earnings code [REDACTED] that equates to  $\$99.40 / \$14.20$  [rate of pay] = 7 hours for split/spread. The timecard details identified 7 hours of Split/Spread.
  - b. Additional information is available at <https://forms.labor.ny.gov/WP/CR142.pdf>

**Finding 3: Inappropriately Allocated Expenses:**

**Publication:**

- a. Cornell does not concur. The work presented in this publication was in fulfillment of Aim3 of NSF grant [REDACTED] AIM 3: [REDACTED]. The other projects were acknowledged as a result of shared facilities use and minor contributions by a technician, both of which are appropriately acknowledged in the publication. Those projects did not benefit from the resulting publication, nor did the contributions rise to a level that warranted sharing expenses for the publication that was the result of work performed under [REDACTED].
- b. Cornell does not concur. The publication appropriately acknowledges support, and the NSF project is appropriately allocated for the expense. The other project provided support to the project through [REDACTED] analysis. The contribution did not rise to a level that warranted sharing expenses for the publication that was the result of the work performed under the NSF project.
- c. The university concurs with this finding and expects to return to NSF \$1,216.75

**Other:**

- a. Cornell concurs and returned \$875.60 via ACMS for travel expenses inappropriately allocated.
- b. Cornell concurs and expects to credit the active agreement \$2,898.99 for recruiting expenses.

**Finding 4: Indirect Cost Rates Inappropriately Applied**

- a. Cornell concurs. The direct cost of \$5,000 was assessed at 57% instead of 11.11%. The difference is calculated as \$2,294.50. The University returned \$2,294.50 via ACMS for indirect expenses inappropriately applied.
- b. Cornell does not concur. Participant support costs pertain to the costs to support the participant's attendance at a training program. These costs may typically include travel to the program site, cost of housing and food while attending, and a stipend to facilitate attendance. Costs associated with running the program, such as room rental, laboratory supplies, supporting staff are not participant support costs. In this instance the individual's subsequent attendance at a separate conference was not a participant support cost, as it wasn't travel to the program itself. The indirect expense applied to that travel expense should be allowable.

**Finding 5: Non-Compliance with Subaward Requirements**

**Risk Assessment:**

At the time of this action, a risk assessment was conducted in an Excel document. That Excel document was filed in the subrecipient project file, but notably, the file name did not include the proper subrecipient. We believe the risk assessment is proper. This exception is resolved through the current use of an online application for completion of the risk assessment that is completed and maintained in the subrecipient's online profile.

**Invoice Certification:**

The University has a requirement, and a review process, for language certification on subrecipient invoices/financial reports. It is our expectation that if an invoice is missing a certification, a revised invoice is received before processing it for payment. We recognize this did not occur in this instance. However, because each invoice/report is expected to be certified, subsequent invoices/financial reports certify the current and cumulative expenses displayed.

**Monitoring Requirements:**

Many of the project teams maintain close collaborations with subrecipient partners. Information required to complete the prime agreement reporting obligations takes many forms and, in some cases, does not align with the annual frequency outlined in the prime agreement due to the frequency of meetings, discussions, and progress updates. In each case, the information was gathered by the subaward for inclusion in the prime report.

Through this engagement, we recognize an opportunity to enhance the subaward agreement language surrounding deliverables to ensure it aligns with the actual needs of the project. It is also our intention to support education and outreach efforts by reviewing all aspects of subrecipient monitoring.

**Non-compliance with Cornell's procurement policies:**

The noted exceptions will be reviewed with our procurement office and reviewed in our routine campus dialogue sessions. This is an opportunity to reach a wide audience involved in support for sponsored programs.

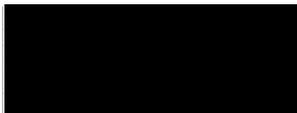
**Non-compliance with Cornell travel policies:**

The noted exceptions will be reviewed with our travel team and reviewed in our routine campus dialogue sessions. This is an opportunity to reach a wide audience involved in support for sponsored programs.

**Non-compliance with Cornell's capital asset policies:**

The asset has since been inventoried, and the inventory protocol has been reviewed with the administering unit to avoid a recurrence.

Respectfully submitted,



Jeffrey A. Silber  
Senior Director, Sponsored Financial Services

## **APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY**

---

## OBJECTIVES

---

The NSF OIG Office of Audits engaged Sikich CPA LLC to conduct a performance audit that involved the testing costs that Cornell University (Cornell) incurred on NSF awards during the audit period of performance (POP) of October 1, 2021, through September 30, 2024. The objectives of the audit were to evaluate Cornell's award management environment; determine if costs claimed were 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 \$349.9 million in expenses Cornell charged to 781 NSF awards during our audit POP of October 1, 2021, through September 30, 2024.<sup>56</sup>

## METHODOLOGY

---

To achieve the objectives of this audit, we performed the audit steps outlined in our NSF OIG-approved audit plan. Generally, these steps included:

- Assessing the reliability of the general ledger data Cornell provided by comparing the costs charged to NSF awards per Cornell'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 Cornell and NSF OIG. NSF OIG provided award data that Cornell reported through NSF's ACM\$ during our audit period.
    - We assessed the reliability of the general ledger data that Cornell provided by (i) comparing the costs charged to NSF awards per Cornell's accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that Cornell submitted to NSF during the audit POP; and (ii) reviewing the parameters that Cornell used to extract transaction data from its accounting systems.
      - Because Cornell's general ledger did not materially reconcile to the costs Cornell claimed in ACM\$ for 171 NSF awards, we determined it was necessary to evaluate the design, implementation, and operating effectiveness of the information system controls surrounding Cornell's ACM\$ draw process to be able to rely on the general ledger information

---

<sup>56</sup> Our original audit scope included approximately \$351 million in costs claimed on 783 NSF awards. However, while performing our audit planning activities, we determined that, because the Cornell ACM\$ draw process involves a variety of manual adjustments to ensure compliance with federal requirements, it would be overly burdensome to require Cornell to identify all of the costs it claimed on NSF awards during the audit period. Accordingly, in consultation with the NSF OIG, we agreed to change the scope of the audit to costs Cornell charged to NSF awards during the audit period.

that Cornell's information system produced. Based on the additional procedures performed,<sup>57</sup> we determined that the computer-processed data Cornell provided to represent the \$349,934,316 in costs it charged to 787 NSF awards during the POP was sufficiently reliable for the purposes of this audit.

- 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) 2024 found no reportable instances in which NSF's financial management systems did not substantially comply with applicable requirements.
- Obtaining and reviewing all available accounting and administrative policies and procedures, external audit reports, desk review reports, and other relevant information that Cornell and NSF OIG provided, as well as any other relevant information that was available online.
- Summarizing our understanding of federal, NSF, and Cornell-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 Cornell's internal controls within the audit's scope solely to understand the directives or policies and procedures Cornell has in place to ensure that charges against NSF awards complied with relevant federal regulations, NSF award terms and conditions, and Cornell policies.
- Providing Cornell with a list of 92 transactions that we selected based on the results of our data analytics and requesting that Cornell provide documentation to support each transaction.

---

<sup>57</sup> Our additional procedures included performing additional interviews and walkthroughs with Cornell personnel and requesting that Cornell identify and reconcile the total costs claimed during the audit period on the six awards for which we identified significant discrepancies after comparing the total costs that Cornell incurred to the total costs that Cornell claimed per ACM\$ during the audit period.

- Reviewing the supporting documentation Cornell 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,<sup>58</sup> NSF,<sup>59</sup> and Cornell policies.<sup>60</sup>
- Holding virtual interviews and walkthroughs with Cornell in April 2025 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, honorariums, 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).

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 Cornell personnel to ensure that Cornell 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.

---

<sup>58</sup> We assessed Cornell's compliance with 2 Code of Federal Regulations (CFR) § 200 and Revised 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as appropriate.

<sup>59</sup> We assessed Cornell's compliance with NSF PAPPGs 16-1, 17-1, 18-1, 19-1, 20-1, 22-1, 23-1, and 24-1 and with NSF award-specific terms and conditions, as appropriate.

<sup>60</sup> We assessed Cornell's compliance with internal Cornell policies and procedures surrounding costs budgeted for or charged to NSF awards.

## **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	Unallowable Expenses	\$0	\$64,644	\$64,644
2	Inadequately Supported Expenses	-	32,128	32,128
3	Inappropriately Allocated Expenses	-	22,321	22,321
4	Indirect Cost Rates Not Appropriately Applied	-	2,888	2,888
5	Non-Compliance with Subaward Requirements	-	-	-
6	Non-Compliance with Cornell Policies	-	-	-
<b>Total</b>		<b>\$0</b>	<b>\$121,981</b>	<b>\$121,981</b>

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	Cornell Agreed to Reimburse
	2	\$600	\$384	\$984	\$984
	1	-	-	-	-
	1	4,000	-	4,000	-
	1	694	180	874	874
	1	-	-	-	-
	1	143	-	143	-
	1	-	-	-	-
	1	1,301	742	2,043	-
	1	1,768	1,132	2,900	2,900
	1	-	593	593	-
	1	2,000	1,280	3,280	3,280
	1	-	-	-	-
	1	-	-	-	-
	1	7,793	4,442	12,235	-
	1	-	2,295	2,295	2,295
	5	6,627	4,241	10,868	5,039
	1	11,458	7,333	18,791	18,791
	1	5,560	618	6,178	6,178
	1	3,245	1,850	5,095	-
	2	429	112	541	541
	1	-	-	-	-
	5	20,358	13,030	33,388	4,264
	1	469	267	736	-
	1	775	442	1,217	1,217
	3	4,924	1,280	6,204	3,575
	1	-	-	-	-
	1	862	552	1,414	-
	1	1,500	167	1,667	-
	1	-	-	-	-
	3	224	144	368	-
	1	5,550	617	6,167	4,500
<b>Total</b>	<b>45</b>	<b>\$80,280</b>	<b>\$41,701</b>	<b>\$121,981</b>	<b>\$54,438</b>

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	Cornell Agreed to Reimburse
1) Unallowable Expenses	██████	November 2021 Unallowable Publication	2022	\$5,560	\$618	\$6,178	\$6,178
	██████	February 2022 Unallowable Publication	2022	11,458	7,333	18,791	18,791
	██████	September 2022 Unreasonable Business Meal	2023	380	99	479	479
	██████	September 2022 Duplicative Transportation and Private Lounge Access	2023	49	13	62	62
	██████	October 2022 Non-Compliant Foreign Airfare and Unused Lodging	2023	3,908	1,016	4,924	1,904
	██████	October 2022 Unallowable Transportation Per Diem	2023	1,016	264	1,280	1,280
	██████	November 2022 Alcohol and Cancellation Fees	2023	600	384	984	984
	██████	December 2023 Airfare Seat Upgrade and Rebooking Fees	2024	2,144	1,372	3,516	339
	██████	December 2023 Administrative Employee Travel	2024	775	496	1,271	-
	██████	September 2024 Duplicative Lodging	2025	1,395	893	2,288	2,288

Finding No.	NSF Award No.	Description	Fiscal Year(s)	Direct	Indirect	Total	Cornell Agreed to Reimburse
	██████	November 2023 Unallowable Fringe Benefits	2024	5,550	617	6,167	4,500
	██████	November 2023 Unallowable Fringe Benefits	2024	1,500	167	1,667	-
	██████	August 2024 Unallowable H-1B Visa	2025	3,765	2,410	6,175	-
	██████	January 2022 Overpaid RTG Stipend	2022	4,000	-	4,000	-
	██████	August 2023 Unallowable Use of Participant Support Cost Funding	2024	493	316	809	-
	██████	March 2024 Participant Not Eligible for Payment	2024	112	72	184	-
	██████	July 2022 Unallowable Summer Salary	2023	1,301	742	2,043	391
	██████	August 2022 Unallowable Summer Salary	2023	862	552	1,414	-
	██████	October 2023 Unallowable Promotional Materials	2024	1,471	941	2,412	2,412
2) Inadequately Supported Expenses	██████	May 2022 Inadequately Supported Service Expense	2022	16,100	10,304	26,404	4,264
	██████	December 2023 Inadequately Supported Participant Payments	2024	2,000	1,280	3,280	3,280

Finding No.	NSF Award No.	Description	Fiscal Year(s)	Direct	Indirect	Total	Cornell Agreed to Reimburse
	██████	March 2024 Inadequately Supported Participant Payment	2024	112	72	184	-
	██████	January 2022 Inadequately Supported Health Insurance Expense	2022	143	-	143	-
	██████	December 2023 Inadequately Supported Travel	2024	842	539	1,381	-
	██████	December 2023 Inadequately Supported Salary	2024	469	267	736	-
3) Inappropriately Allocated Expenses	██████	April 2023 Publication	2023	7,793	4,442	12,235	-
	██████	January 2024 Publication	2023	3,245	1,850	5,095	-
	██████	July 2024 Publication	2023	775	442	1,217	1,217
	██████	October 2021 Travel	2022	694	180	874	874
	██████	November 2021 Recruitment	2022	1,768	1,132	2,900	2,900
4) Indirect Cost Rate Not Appropriately Applied	██████	May 2022 Other Direct Cost	2022	-	2,295	2,295	2,295
	██████	December 2022 Travel	2023	-	593	593	-
5) Non-Compliance with Subaward Requirements	██████	Non-Compliance with Risk Assessment Requirements	2025	-	-	-	-
	██████	Non-Compliance with Subaward Invoice Certifications	2024	-	-	-	-

Finding No.	NSF Award No.	Description	Fiscal Year(s)	Direct	Indirect	Total	Cornell Agreed to Reimburse
	██████	Non-Compliance with Monitoring Requirements	2023	-	-	-	-
	██████	Non-Compliance with Monitoring Requirements	2024	-	-	-	-
	██████	Non-Compliance with Monitoring Requirements	2025	-	-	-	-
	██████	Non-Compliance with Monitoring Requirements	2025	-	-	-	-
6) Non-Compliance with Cornell Policies	██████	Non-Compliance with Cornell's Procurement Policies	2022	-	-	-	-
	██████	Non-Compliance with Cornell's Procurement Policies	2023	-	-	-	-
	██████	Non-Compliance with Cornell's Procurement Policies	2024	-	-	-	-
	██████	Non-Compliance with Cornell's Travel Policies	2023	-	-	-	-
	██████	Non-Compliance with Cornell's Travel Policies	2024	-	-	-	-
	██████	Non-Compliance with Cornell's Capital Assets Policy	2023	-	-	-	-
<b>Total</b>				<b><u>\$80,280</u></b>	<b><u>\$41,701</u></b>	<b><u>\$121,981</u></b>	<b><u>\$54,438</u></b>

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 Resolve the \$25,036 in questioned travel, fringe benefit, long-term visa, participant payment, and summer salary expenses for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
  - Additionally, based on Cornell's formal response to the audit report, we also suggest that NSF consider whether Cornell appropriately tracked and used all funds awarded for participant support when resolving the \$809 in questioned costs for NSF Award No. [REDACTED]
- 1.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$39,608 in questioned publication, travel, fringe benefit, and promotional material expenses for which it has agreed to reimburse NSF.
- 1.3 Direct Cornell to strengthen its procedures for ensuring that it only charges allowable costs to NSF awards. Cornell's updated procedures should:
  - Require Cornell to verify that research publications acknowledge the NSF funding source(s) to be charged before charging the publication expenses to the NSF award(s).
  - Address how to properly review travel, participant, and promotional material expenses to identify unallowable costs.
- 1.4 Direct Cornell to update its policies to no longer permit personnel to charge unallowable costs to NSF awards. These updated policies should not permit Cornell to:
  - Apply fringe benefits to stipend payments when paying stipends to Cornell employees.
  - Charge H-1B long-term immigration visa costs to NSF awards.
  - Charge summer salaries at amounts that exceed the employee's IBS at the time the employee earned the summer salary.
- 2.1 Resolve the \$24,584 in questioned inadequately supported service, participant, health insurance, travel, and salary expenses and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$7,544 in questioned service and participant expenses for which it has agreed to reimburse NSF.

- 2.3 Direct Cornell to strengthen its procedures or other internal controls for obtaining and maintaining documentation to support costs charged to NSF awards. The updated procedures or controls should ensure:
- Vendors submit service invoices that contain sufficient detail to support that the costs invoiced are: (i) allowable per applicable federal, NSF, and Cornell policies; and (ii) consistent with the approved quotation or purchase order.
  - Principal Investigators, or other appropriate personnel, capture all participant payment information required per the *Human Research Participant Payment* policy in Cornell's *Buying Manual*.
  - Travelers submit airfare receipts that identify the airfare class purchased.
  - Charges for salary paid to hourly employees are supported by employee timesheets.
- 3.1 Resolve the \$17,330 in questioned inappropriately allocated publication expenses for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 3.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$4,991 in questioned publication, travel, and recruitment expenses for which it has agreed to reimburse NSF.
- 3.3 Direct Cornell to strengthen its policies and procedures and internal controls related to allocating expenses to sponsored projects. The updated procedures should ensure Cornell allocates:
- Publication expenses to NSF awards consistent with the benefits received by the acknowledged funding and appropriately documents its allocation methodology.
  - Travel that benefits multiple projects in a manner that is consistent with agreed-upon allocation methodologies.
  - Recruitment expenses to NSF awards in a manner that is consistent with recruited employees' certified effort reports.
- 4.1 Resolve the \$593 in questioned indirect costs for which Cornell has not agreed to reimburse NSF and direct Cornell to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 4.2 Direct Cornell to provide documentation supporting that it has repaid or otherwise credited the \$2,295 in questioned indirect costs for which it has agreed to reimburse NSF.

- 4.3 Direct Cornell to strengthen its policies, procedures, and internal control processes for applying its indirect cost rates to ensure it applies appropriate indirect cost rates, including rates established in NSF budgets, to only those direct costs that it should include in its Modified Total Direct Cost base per its applicable Negotiated Indirect Cost Rate Agreement(s).
- 5.1 Direct Cornell to implement additional procedures to ensure that it performs—and appropriately documents its performance of—risk assessments in compliance with federal requirements for pass-through entities and Cornell’s internal policies
- 5.2 Direct Cornell to develop additional resources for subawardees that provide guidance on how to ensure they appropriately account for and invoice expenses on a cost-reimbursement basis consistent with subaward terms and conditions.
- 5.3 Direct Cornell to implement additional policies or procedures to ensure that subawardees complete and submit—and that Cornell reviews and maintains—any progress, technical, or other reports that Cornell requires per the subaward terms and conditions.
- 6.1 Direct Cornell to implement additional procedures and/or internal controls, as necessary, to ensure it complies with its internal policies when overseeing costs charged to NSF awards. The updated controls should ensure Cornell verifies that it and its personnel:
- Use the correct procurement method and collect and approve all necessary documentation prior to payment.
  - Submit expense reports and claim per diem at the lodging location rate prior to approving travel expenses for reimbursement.
  - Appropriately tag all equipment charged to NSF awards for inclusion in Cornell’s biennial physical inventory account.

## **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.**

**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.](#)

**H-1B Visa.** The intent of the H-1B provisions is to help employers who cannot otherwise obtain needed business skills and abilities from the U.S. workforce by authorizing the temporary employment of qualified individuals who are not otherwise authorized to work in the United States. (U.S. Department of Labor,

<https://www.dol.gov/agencies/whd/immigration/h1b>)

[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.](#)

**Institutional Base Salaries (IBS).** IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. (2 CFR § 200.430[h][2]).

[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.](#)

**Per Diem.** Per diem is an allowance for lodging, meals, and incidental expenses. The U.S. General Services Administration (GSA) establishes the per diem reimbursement rates that federal agencies use to reimburse their employees for subsistence expenses incurred while on official travel within the continental U.S. (CONUS), which includes the 48 contiguous states and the District of Columbia. The U.S. Department of Defense (DOD) establishes rates for travel in non-foreign areas outside of CONUS, which includes Alaska, Hawaii, and U.S. territories and possessions. The U.S. Department of State establishes rates for travel in foreign areas. (GSA.gov).

[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 and Award Policies and 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.](#)

**Stipend.** Cornell defines a stipend as a set amount of money to be paid directly to the participant. (Cornell University, Managing Participant Support Costs Under the UG).

[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.](#)

# 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](mailto:OIGPL117-263@nsf.gov), no later than April 11, 2026. 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.

## Contact Us

**Address:**

U.S. National Science Foundation Office of Inspector General  
Randolph Building  
401 Dulany Street  
Alexandria, VA 22314

**Phone:** 703-292-7100

**Website:** [oig.nsf.gov](https://oig.nsf.gov)

**Follow us on X:** <https://x.com/nsfoig>

**Congressional, media, and general inquiries:** [OIGPublicAffairs@nsf.gov](mailto:OIGPublicAffairs@nsf.gov)

**Freedom of Information Act inquiries:** [FOIAOIG@nsf.gov](mailto:FOIAOIG@nsf.gov)

## Report Fraud, Waste, or Abuse

Report violations of laws, rules, or regulations; mismanagement; and research misconduct involving NSF operations or programs via our Hotline:

- File online report: [oig.nsf.gov/contact/hotline](https://oig.nsf.gov/contact/hotline)
- Anonymous Hotline: 1-800-428-2189
- Mail: Randolph Building, 401 Dulany Street, Alexandria, VA 22314 ATTN: OIG HOTLINE

Have a question about reporting fraud, waste, or abuse? Email [OIG@nsf.gov](mailto:OIG@nsf.gov).

## Whistleblower Retaliation Information

All NSF employees, contractors, subcontractors, awardees, and subawardees are protected from retaliation for making a protected disclosure. If you believe you have been subject to retaliation for protected whistleblowing, or for additional information on whistleblower protections, please visit [oig.nsf.gov/whistleblower](https://oig.nsf.gov/whistleblower).