

Performance Audit of Incurred Costs on EPSCoR Awards – University of Wyoming

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

January 13, 2021
OIG 21-1-003





AT A GLANCE

Performance Audit of Incurred Costs on EPSCoR Awards –
University of Wyoming
Report No. OIG 21-1-003
January 13, 2021

WHY WE DID THIS AUDIT

We conducted a performance audit of incurred costs on two Established Program to Stimulate Competitive Research (EPSCoR) awards to the University of Wyoming (UW). The objective of this audit was to determine if costs claimed by UW were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal requirements.

WHAT WE FOUND

We identified instances of noncompliance with certain Federal regulations, NSF policies, and award terms and conditions in UW's administration of both EPSCoR awards. Specifically, we questioned \$256,351 in direct and indirect costs claimed by UW, including:

- \$90,000 in an unsupported cost transfer;
- \$7,908 in unsupported and unallowable promotional expenses;
- \$15,207 in unallowable activity expenses;
- \$24,773 in unallowable indirect cost charges;
- \$864 for unallowable meal expenses; and
- \$117,599 in unsupported subrecipient expenses.

Please see Appendix C for a breakdown of the questioned costs by finding.

WHAT WE RECOMMEND

We made 15 recommendations for NSF to resolve the questioned costs and to ensure UW strengthens its administrative and management controls and processes.

AUDITEE RESPONSE

UW agreed with most of the findings and questioned costs in the report. UW's response is attached in its entirety to the report as Appendix A.

FOR FURTHER INFORMATION, CONTACT US AT OIGPUBLICAFFAIRS@NSF.GOV.



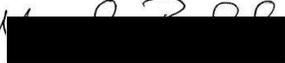
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MEMORANDUM

DATE: January 13, 2021

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements

FROM: Mark Bell 
Assistant Inspector General
Office of Audits

SUBJECT: Final Report No. 21-1-003, *Performance Audit of Incurred Costs on EPSCoR Awards – University Wyoming*

Attached is the final audit report on the subject audit. We have included the University of Wyoming's response to the report as an appendix.

Please coordinate with our office during the 6-month resolution period, as specified by Office of Management and Budget Circular A-50, *Audit Followup*, 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.

We appreciate the courtesies and assistance that was extended during this audit. If you have any questions regarding this report, please contact Kelly Stefanko, Audit Manager, at kstefank@nsf.gov or 703.292.7100 or oigpublicaffairs@nsf.gov.

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ABBREVIATIONS

Open Track-1 Award	NSF Award No. [REDACTED]
Closed Track-1 Award	NSF Award No. [REDACTED]
OMB	Office of Management and Budget
PAPPG	Proposal and Award Policies and Procedure Guide
PI	Principal Investigator
PSC	participant support cost
SRAP	Summer Research Apprentice Program
STEM	science, technology, engineering, and math
UW	University of Wyoming
WRNAC	Wind River Native Advocacy Center



Background

The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o 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 is the funding source for approximately 24 percent of all federally supported basic research conducted by America’s colleges and universities. Each year, NSF supports an average of about 200,000 scientists, engineers, educators, and students at universities, laboratories, and field sites throughout the United States and the world.

One way NSF funds such initiatives is by providing awards to targeted states through its Established Program to Stimulate Competitive Research (EPSCoR). EPSCoR’s goal is to develop research competitiveness in these states by strengthening science, technology, engineering, and math (STEM) capability and capacity so that they may become recognized contributors to national and global STEM research. States and territories receiving less than 0.75 percent of total NSF research funding over a 3-year period are eligible to receive EPSCoR funding.

The state of Wyoming, which received nearly \$44 million (approximately 0.26 percent of NSF’s total research support in fiscal years 2016 to 2018), is eligible to receive EPSCoR awards. As part of this jurisdiction, the University of Wyoming (UW) received NSF-funded EPSCoR Research Infrastructure Improvement Program awards.

We conducted this audit of UW as part of our audit to assess whether NSF is ensuring award recipients comply with NSF and Federal requirements in the administration of EPSCoR awards. Specifically, we audited costs claimed on two EPSCoR awards to UW to determine if these costs were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal requirements. Both of the awards are Research Infrastructure Improvement Program “Track-1” awards (NSF Award Nos. [REDACTED] and [REDACTED]).¹

Track-1 awards provide up to \$20 million for 5 years and require the recipient to provide an additional 20 percent of the amount requested from NSF toward the total project cost (cost sharing). To broaden their impacts, Track-1 award recipients fund research programs at other institutions (subrecipients) within their state through subaward agreements.

Results of Audit

We identified instances of noncompliance with certain Federal regulations, NSF policies, and award terms and conditions in UW’s administration of both EPSCoR awards. Specifically, we questioned \$256,351 in direct and indirect costs claimed by UW, including:

- \$90,000 in an unsupported cost transfer;
- \$7,908 in unsupported and unallowable promotional expenses;

¹ We refer to the awards as UW’s “closed Track-1 award” and “open Track-1 award,” respectively. Jurisdictions are limited to having only one Track-1 award at a time.



- \$15,207 in unallowable activity expenses;
- \$24,773 in unallowable indirect cost charges;
- \$864 for unallowable meal expenses; and
- \$117,599 in unsupported subrecipient expenses.

Please see Appendix C for a breakdown of the questioned costs by finding.

Finding 1: Unsupported Cost Share

UW could not support \$90,000 of reported equipment cost share on its closed Track-1 award. To be allowable, costs must be adequately documented.²

When the award started in 2012, UW did not create an account to accumulate cost share expenses. Later UW created a cost share account and transferred \$2,165,409 of expenses from other accounts to the new account in February 2015. UW erroneously processed one of these expenditures, a \$19,040 equipment expense, as \$109,040, resulting in an excess of \$90,000 in reported cost share. UW acknowledged the error but did not correct it during our audit period. As a result, we question the \$90,000 in cost share.

In a prior audit,³ our contracted auditors found UW did not maintain appropriate documentation to support that expense transfers were related to the NSF awards to which they were transferred. In response, UW said it changed its policy in 2014 to require a written explanation, signed by the Principal Investigator (PI), for the need for the cost transfer. UW also said it implemented a deadline of 90 days for the cost transfer to be submitted from the original date of the expenditure. However, when we requested the 2014 policy during this audit, UW staff told us there was no written 2014 policy and instead provided a July 2019 cost transfer policy.

UW did not comply with its 2014 policy when it transferred the cost share expenses in February 2015. We judgmentally selected 21 of the transferred expenses and asked UW to provide the original dates of each expenditure. All 21 took place on or before October 16, 2014; therefore, all cost transfers were submitted beyond 90 days. For 2 of the 21 transactions, we requested, but did not receive, written explanations for the cost transfers from the PIs.

UW established a cost sharing account at the start of its open Track-1 award in 2017, alleviating the need to transfer expenses. However, we remain concerned that UW may not have provided adequate oversight over the expenses transferred to the closed Track-1 award in February 2015.

We tested a judgmental sample of 12 cost share transactions (totaling over \$1 million) reported after 2015 and did not identify any exceptions with Federal requirements.

UW concurred with the \$90,000 in questioned costs and stated that it has identified additional, previously unclaimed cost share expenses to meet the cost sharing commitment.

² 2 CFR, Section 200.403(g)

³ NSF OIG Report 19-1-002, December 21, 2018



Recommendations

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

1. Resolve the \$90,000 in questioned cost share and direct UW to remove the sustained questioned costs from its cost share reports to NSF. If the removal of disallowed cost share causes the award to fall short of the mandatory cost share requirement, direct UW to repay NSF funds associated with the unmet cost share obligation.
2. Direct UW to strengthen its administrative and management controls and processes related to cost transfers.

UW Response

UW stated that it concurs with this finding and that it has identified an additional \$90,000 in allowable expenses to meet the mandatory cost sharing requirement and to support the cost sharing reports submitted to NSF for this award.

Additionally, UW stated that it implemented a new cost transfer policy and trained its College Business Officers and Office of Sponsored Program Coordinators.

Auditor Comment

We acknowledge UW's concurrence with the finding. We did not review the additional \$90,000 in cost share for allowability. Our position regarding this finding remains the same. UW has strengthened its oversight of cost share since 2015 including implementing cost share accounts, new policies, and training.

Finding 2: Unsupported and Unallowable Promotional Expenses

UW inappropriately charged \$7,908 in unsupported or unallowable promotional items and associated indirect costs to its closed Track-1 award. Specifically, UW charged \$5,589 in unsupported or unallowable direct commercial printing expenses and \$2,319 in associated indirect costs for the High Plains American Indian Research Institute to the award.

UW did not provide sufficient documentation to support allowability for transactions totaling \$5,978. UW told us that some of these costs were for promotional items with the High Plains American Indian Research Institute and EPSCoR logos. UW provided detailed receipts for the remaining \$1,930 showing that the items were for promotional items including embroidered briefcases and engraved pens.

To be allowable, costs must be adequately documented.⁴ Further, costs of promotional items and memorabilia, including models, gifts, and souvenirs, are unallowable.⁵ UW did not have an internal control that required the purchaser to provide a detailed receipt or a policy ensuring that promotional

⁴ 2 CFR 200.403(g)

⁵ 2 CFR 200.421(e)(3)



items were not charged to Federal awards. Therefore, we are questioning \$7,908 UW claimed for High Plains American Indian Research Institute commercial printing costs.

UW concurred with the \$7,908 in questioned costs, as illustrated in Table 1.

Table 1. Promotional Expenses Questioned as Unsupported or Unallowable

Description	Award No.	Questioned Costs			UW Agrees to Reimburse
		Direct	Indirect	Total	
Unsupported commercial printing	[REDACTED]	\$4,225	\$1,753	\$5,978	\$5,978
Unallowable commercial printing	[REDACTED]	\$1,364	\$566	\$1,930	\$1,930
Total		\$5,589	\$2,319	\$7,908	\$7,908

Source: Auditor summary of commercial printing expenses questioned as unallowable or unsupported.

Recommendations

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

1. Resolve the \$7,908 in questioned commercial printing costs, and direct UW to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UW to develop a control to ensure the allowability and reasonableness of commercial printing costs are sufficiently documented.

UW Response

UW stated it concurs with this finding and will repay NSF these costs.

Auditor Comment

We acknowledge UW’s concurrence with the finding. Our position regarding this finding remains the same.

Finding 3: Unallowable Entertainment Expenses

UW charged \$15,207 of unallowable direct (\$11,057) and associated indirect (\$4,150) expenses to its EPSCoR awards for the Summer Research Apprentice Program (SRAP) that were unallowable entertainment expenses.

UW included funding for SRAP in both its closed and open EPSCOR Track-1 award proposals. According to UW’s proposals, SRAP is a 6-week intensive summer program that introduces first-generation college students and minority background high school students to STEM. Participants are assigned to a UW research scientist for an 8-hour workday, 5 days per week. According to its participant



solicitation, UW pays for group weekend activities for the students. Those costs are then charged to the EPSCoR awards.

We consider these SRAP activities — including museum and zoo admission, yoga and gym access, and theater and movie tickets — to be entertainment, rather than necessary to accomplish the objectives of UW’s EPSCoR awards. UW did not disclose these activities, or their programmatic purpose, in its NSF proposals or request prior written approval from NSF to pay for them through the EPSCoR awards. Additionally, UW’s documentation supporting the costs did not identify who attended the activities to confirm it was SRAP participants.

Federal regulations applicable to the open Track-1 EPSCoR award state that costs of entertainment are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.⁶ Although UW creates an annual SRAP activity calendar, it did not provide the calendar to the NSF EPSCoR Program Office. The calendar may have helped NSF decide whether to approve the activities as part of the award’s scope. Further, UW did not provide support — such as if attendees were SRAP participants or the programmatic purpose of each activity — for the reasonableness, allocability, and allowability of these activities.

Regarding entertainment costs charged to UW’s closed Track-1 award, the terms and conditions of the award stated, “Costs of entertainment, amusement, diversion and social activities, and any costs directly associated with such costs (such as meals, lodging, rentals, transportation and gratuities) are unallowable.”⁷ Therefore, we question these SRAP activities as unallowable entertainment expenses.

UW concurred with \$4,150 of the questioned costs and disagreed with \$11,057, as illustrated in Table 2.

Table 2. Entertainment Expenses Questioned as Unallowable

Description	Award No.	Questioned Costs			UW Agrees to Reimburse
		Direct	Indirect	Total	
Unallowable Entertainment Expenses	██████	\$10,537	\$3,919	\$14,456	\$3,919
Unallowable Entertainment Expenses	██████	\$520*	\$231	\$751	\$231
Total		\$11,057	\$4,150	\$15,207	\$4,150

Source: Auditor summary of entertainment expenses questioned as unallowable.

*Rounded to enable mathematical accuracy of totals.

Recommendations

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

⁶ 2 CFR Part 200, Section 200.438, *Entertainment costs*

⁷ Award Specific Financial/Administrative Terms and Conditions (FATC), paragraph 5



1. Resolve the \$15,207 in questioned entertainment costs, and direct UW to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UW to provide NSF additional detail for proposed SRAP entertainment activities annually so NSF can assess the allowability of the proposed activities.
3. Direct UW to strengthen its administrative and management controls and processes related to documenting SRAP activity attendees and programmatic purposes.

UW Response

UW stated that it believes that the expenses in question may be considered entertainment for a research project but are vital to the success of the residential program that includes minors living on a college campus. UW agreed that additional support can be provided to the program officer in support of these activities in question and prior to the start of each year's program.

UW agreed that indirect costs should not have been assessed to these participant support expenses and will repay NSF \$4,150.

Auditor Comment

Our position regarding this finding remains the same. Federal regulations say that costs of entertainment are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

We acknowledge UW's agreement to repay \$4,150 for the indirect costs assessed to these participant support costs.

Finding 4: Unallowable Indirect Costs Charged

UW charged \$24,773 in unallowable indirect costs to its closed Track-1 award because it did not correctly identify participant subsistence allowances (meals, room and board)⁸ for its SRAP participants as participant support costs (PSCs). Per award terms and conditions, indirect costs are not allowed on PSCs.⁹

UW was inconsistent in charging SRAP participant subsistence as PSCs. UW correctly identified \$104,314 of SRAP subsistence costs as PSCs and did not charge indirect costs on these expenditures. However, we identified another \$59,694 in SRAP participant subsistence allowances (room and board) that UW incorrectly charged to other account categories, such as travel or materials and supplies, for which it applied \$24,773 in indirect costs.

⁸ The line description for room and board was "Residential Life & Dining Services."

⁹ NSF's *Cooperative Agreement Financial & Administrative Terms and Conditions* (CA-FATC), effective January 4, 2010, state, "Indirect costs (Facilities and Administrative Costs (F&A)) are not allowed on participant support costs." Further, 2 CFR 200.68 states that Modified Total Direct Costs must exclude participant support costs.



PSCs are “direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.”¹⁰

UW did not fully identify and budget for its PSCs for the SRAP program. UW explained that it charged PSCs up to the amount in its proposal budget and then would charge similar costs to other budget categories without considering the indirect cost implications. Therefore, we question \$24,773 in indirect costs charged to expenses that should have been PSCs.

UW concurred with the \$24,773 in questioned costs, as illustrated in Table 3.

Table 3. Indirect Costs Questioned as Unallowable

Description	Award No.	Questioned Costs			UW Agrees to Reimburse
		Direct	Indirect	Total	
Indirect costs charged to SRAP residential life and dining services	██████	\$0	\$19,387	\$19,387	\$19,387
Indirect costs charged to SRAP meals	██████	\$0	\$5,386	\$5,386	\$5,386
Total		\$0	\$24,773	\$24,773	\$24,773

Source: Auditor summary of SRAP subsistence not classified as PSCs.

During our audit, we became aware that UW incorrectly allocated indirect costs to participant support on multiple NSF awards, including an EPSCoR award included in the scope of this report. We notified NSF in a September 10, 2020 memo¹¹ about the misallocation and recommended NSF work with UW to resolve the unallowable costs charged as a result of the error.¹² UW stated it was aware of the error and agreed to correct the issue.

Recommendations

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

1. Resolve the \$24,773 in questioned indirect costs, and direct UW to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UW to strengthen its policies and controls over identification of participant support costs.

UW Response

UW stated that it concurs with this finding and will repay NSF these costs. UW stated that it

¹⁰ 2 CFR 200.75

¹¹ OIG Report No. 20-6-002

¹² The \$24,773 we question in this report are in addition to the indirect costs, charged to one EPSCoR and two non-EPSCoR awards, we questioned in the memo.



implemented a new practice to create distinct projects for participant support costs with a budget that matches the awarded participant support funding.

Auditor Comment

We acknowledge UW's concurrence with the finding. Our position regarding this finding remains the same. We maintain NSF should direct UW to develop controls to ensure participant support costs are treated consistently regardless of how they are budgeted.

Finding 5: Unallowable Meal Charges

UW charged \$864 in unallowable meals to its closed Track-1 award.¹³ Specifically:

- UW charged \$738 for a “welcome lunch,” for which only 24 of 50 attendees were SRAP participants. We question \$384 (52 percent) charged for meals for non-participants, which included UW staff members and family members of participants. The meals were not necessary and reasonable for the performance of the award,¹⁴ and staff meals are not allowable according to NSF policy.¹⁵
- UW charged \$872 for a “student and mentor lunch,” for which only 22 of 49 attendees were SRAP participants. We question \$481 (55 percent) charged for meals for non-participants, including UW students, faculty, and staff. The meals were not necessary and reasonable for the performance of the award and not allowable according to NSF policy.

In addition, UW also told us it took participants to restaurants on a regular basis during the SRAP program — and charged the meals of staff chaperones to the award — because UW limited the number of meals SRAP participants were allowed to eat on campus. We could not identify how much UW spent on staff meals as it did not separately record the participant and non-participant meal costs in its accounting system.

UW confirmed it did not have a specific policy for charging meals to Federal awards, including determining the reasonableness or necessity of meal costs or appropriateness of feeding non-participants, to minimize costs to Federal awards. UW stated that its practice is to allow staff meals to be charged to the EPSCoR award if staff are required to attend an EPSCoR-related event, such as an SRAP meal. However, we think this practice is contrary to NSF guidance. Therefore, we question \$864 in unallowable meal charges.

UW concurred with the \$864 in questioned costs, as illustrated in Table 4.

¹³ Indirect costs associated with the questioned meal costs are part of the costs questioned in Finding 4.

¹⁴ 2 CFR 200.403(a) states to be allowable, a cost must “Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.” Prior to the Office of Management and Budget’s (OMB) *Uniform Guidance*, OMB Circular A-21 stated, “Major considerations involved in the determination of the reasonableness of a cost are: (a) whether or not the cost is of a type generally recognized as necessary for the ... performance of the sponsored agreement; ... and (d) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.” (A-21, Appendix A, Section C.3)

¹⁵ NSF’s *Proposal and Award Policies and Procedures Guide* 11-1, Chapter V (Section C.5.i.)



Table 4. Meal Expenses Questioned as Unallowable*

Description	Award No.	Questioned Costs			UW Agrees to Reimburse
		Direct	Indirect	Total	
SRAP welcome lunch		\$383	\$0	\$383	\$383
SRAP mentor lunch		\$481	\$0	\$481	\$481
Total		\$864	\$0	\$864	\$864

Source: Auditor summary of SRAP meal expenses questioned as unallowable.

*We questioned the indirect costs for these transactions as part of Finding 4.

Recommendations

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

1. Resolve the \$864 in questioned meal costs, and direct UW to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UW to develop policy and training on the allowability and reasonableness of meal costs.

UW Response

UW stated that it concurs with this finding and will repay NSF these costs. UW stated that it provided training to staff on charging meal costs and plans to expand this training in spring/summer 2021.

Auditor Comment

We acknowledge UW’s concurrence with the finding. Our position regarding this finding remains the same.

Finding 6: Unsupported Subrecipient Expenses

UW charged \$117,599 of unsupported and unallocable subrecipient costs to its open Track-1 award. UW proposed subawarding \$483,175 over the life of the award to the Wind River Native Advocacy Center (WRNAC), a non-profit organization, to administer a community mini-grant program aimed at various segments of the Wind River Indian Reservation to ultimately “increase the diversity of people and paradigms in STEM education and in the proposed microbial life and computation research.”¹⁶ WRNAC had no experience receiving Federal financial assistance awards or subawards prior to the UW EPSCoR subaward.

At the time of our audit, UW had charged \$106,474 to the award for three WRNAC invoices.¹⁷ These charges included a computer, supplies, salaries and fringe benefits, rent, internet, mini-grants, and indirect costs for which WRNAC provided sparse and incomplete supporting documentation. Although

¹⁶ Open Track-1 Award Proposal

¹⁷ UW also charged the award indirect costs (44.5 percent) on the first \$25,000 of the WRNAC subaward (\$11,125).



the UW subaward required WRNAC to provide supporting documentation with its invoices, UW did not enforce the requirement.

Unsupported Subaward Computer Purchase and Supplies

WRNAC charged \$1,100 for a computer and \$738 for supplies for which it did not provide adequate supporting documentation. To be allowable, costs must be adequately documented.¹⁸ UW did not provide documentation supporting the allowability of the claimed computer and supplies costs, so we question the \$1,838 claimed.

Unsupported Subaward Salary and Fringe Benefits Expenses

WRNAC charged \$15,127 in unsupported salaries and fringe benefits. WRNAC acknowledged that staff who charged salary to the EPSCoR award also worked on non-award related tasks, but it did not document how staff allocated time to EPSCoR-related activities and to other projects or activities. WRNAC claimed it invoiced UW for one-half of an employee's total salary for work performed on the subaward and provided a pay stub to support the allocation. However, the amount reflected on the pay stub did not match the amount charged to the subaward. Furthermore, WRNAC did not provide documentation to support the basis for charging one-half of the employee's salary to the subaward. WRNAC stated it does not have written policies and procedures related to how to split time between its activities.

To be allowable, costs must be adequately documented¹⁹ and allocable to the award.²⁰ Further, charges to Federal awards for non-faculty salaries and wages must be based on records that accurately reflect the work performed.²¹ UW included these requirements in its subaward agreement with WRNAC. UW did not provide adequate documentation supporting allowability of the claimed salary and benefits costs; therefore, we question \$15,127.

Unsupported Subaward Rent and Internet Allocation

WRNAC charged UW \$12,190 in office rent and internet service — 100 percent of the cost — even though WRNAC stated that it is used for other, non-EPSCoR, activities. To be allowable, costs must be allocable to the award.²² Since UW did not provide documentation for what part of the office rent and internet service costs, if any, were allocable to the EPSCoR award, we question the \$12,190 claimed.

Unsupported Mini-Grant Expenses

WRNAC did not provide consistent and verifiable records showing how much it awarded to mini-grant

¹⁸ 2 CFR, Section 200.403(g)

¹⁹ 2 CFR, Section 200.403(g)

²⁰ 2 CFR, Section 200.405(a) states, "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."

²¹ 2 CFR, Section 200.430(h)(8)(i)

²² 2 CFR, Section 200.403(a)



recipients. At our request, WRNAC provided a list of mini-grant amounts and recipients that showed \$94,269 in mini-grants were approved, but only \$7,000 was invoiced. WRNAC separately reported to UW that it incurred \$37,775 for mini-grants. At the time of our audit, UW was working with WRNAC to reconcile these amounts.

Of particular concern was that neither UW nor WRNAC provided documentation that the mini-grant expenses charged to the award were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal requirements. To be allowable, costs must be adequately documented.²³

Furthermore, 2 CFR, Section 200.302(b)(3), requires award recipient financial systems have records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

Insufficient Oversight of Mini-Grant Selection Process

WRNAC was responsible for designing and implementing a program to award mini-grants to community leaders that support education, outreach, action, or research. The WRNAC Board of Directors was responsible for selecting mini-grants recipients. However, since they were also members of the tribal community eligible to apply for grants, this created the potential for conflict of interests.²⁴

According to WRNAC, it created a sub-committee of its Board of Directors to review and recommend approval of mini-grant applications so that board members could apply for mini-grants. However, the WRNAC Board of Directors still reviewed the sub-committee's recommendations and made the final awards.

WRNAC named two board members to the sub-committee. One of the two sub-committee member names appeared on a list WRNAC provided us of individuals who received mini-grants. The list of mini-grant recipients also included another individual with the same last name as the sub-committee member. UW confirmed that the sub-committee member who recommended the mini-grant was the same person who received a \$2,000 mini-grant check. However, the member stated it was to reimburse another person and not for the member's use. WRNAC said the member is returning the check. WRNAC also confirmed that the member is an immediate family member of another \$12,000 mini-grant award recipient with the same last name. Due to lack of documentation, UW could not determine whether the member recommended the relative receive a mini-grant or if other conflicts existed with other mini-grant recipients. According to NSF's *Proposal and Award Policies and Procedure Guide* (PAPPG), dated January 2011, WRNAC or UW must report any unmanageable conflicts of interests to NSF's Office of General Counsel.²⁵

²³ 2 CFR, Section 200.403(g)

²⁴ NSF's PAPPG, effective January 18, 2011, defines conflict of interest as a significant financial interest that would reasonably appear to be affected by the NSF funded research and requires that they be managed, reduced, or eliminated prior to the expenditure of award funds.

²⁵ NSF PAPPG, effective January 18, 2011



UW did not confirm that WRNAC had a conflict of interest policy prior to WRNAC selecting and awarding mini-grants. While WRNAC indicated during its subrecipient risk assessment that it had a conflict of interest policy, UW did not confirm the policy existed. NSF's PAPPG requires grantee organizations to have written and enforced conflict of interest policies.²⁶

Unmet Control Standards for Advance Payment

UW charged the award \$100,000 in May 2019 for an advance payment to WRNAC for its work on the subaward.²⁷ WRNAC provided a partial list of how it spent the funds, including salaries, rent, supplies, and mini-grants (previously discussed) and applicable indirect costs,²⁸ but did not account for the full amount of the advance.

WRNAC could not demonstrate that it met required standards for controls to receive an advance payment. Specifically, WRNAC did not have a procedure to minimize the time elapsed between the funds' transfer and disbursement, and it did not have a financial management system that met the standards for fund control and accountability. Therefore, UW should not have made an advance payment to WRNAC. Per Federal guidance, a non-Federal entity should be paid in advance if it has — or demonstrates it will have — both procedures to minimize the time elapsed between the funds' transfer and disbursement **and** financial management systems that meet established control standards (emphasis ours); otherwise, it should be reimbursed.²⁹

UW is responsible for determining the appropriate level of subrecipient monitoring based on each subrecipient's risk.³⁰ Although UW knew WRNAC was a new subrecipient with no experience managing a Federal subaward, it assessed WRNAC as a medium risk subrecipient, provided WRNAC with a \$100,000 advance payment, and did not provide additional monitoring commensurate with its risk assessment. UW did not ensure WRNAC had the procedures, accounting systems, and staff to adequately administer Federal funds. UW also did not enforce its subaward agreement requirement for WRNAC to document its expenses.

Because neither UW nor WRNAC provided supporting documentation for expenses charged to the award, we are questioning all \$117,599 UW charged to the award for the WRNAC subaward.

UW concurred with the \$117,599 in questioned costs, as illustrated in Table 5.

²⁶ Ibid.

²⁷ The \$100,000 advance includes portions of the previously questioned costs: \$738 in supplies, \$13,463 in salaries and fringe, \$8,480 of the office rent and internet, and an indeterminable amount of mini-grants.

²⁸ WRNAC's invoices included indirect costs, at a rate of 10 percent of direct costs. These indirect expenses of WRNAC were claimed as direct subaward charges by UW on its EPSCoR award.

²⁹ 2 CFR, Section 200.305(b)(1) and (3)

³⁰ 2 CFR 200.331 states the pass-through entity must "[e]valuate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring. . . ." Further, the entity must "[m]onitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."



Table 5. Subaward Expenses Questioned as Unsupported

Description	Award No.	Questioned Costs			UW Agrees to Reimburse
		Direct	Indirect	Total	
Unsupported Subaward Computer and Supplies	[REDACTED]	\$1,838	\$0	\$1,838	\$1,838
Unsupported Subaward Salaries and Fringe		\$15,127	\$0	\$15,127	\$15,127
Unsupported Subaward Rent and Internet		\$12,190	\$0	\$12,190	\$12,190
Unsupported Mini-Grants		\$37,775	\$0	\$37,775	\$37,775
Unsupported Subaward Indirect Costs		\$7,033	\$0	\$7,033	\$7,033
Unsupported Balance of Advance		\$32,511	\$0	\$32,511	\$32,511
Indirect Costs Assessed by UW on the First \$25,000 of WRNAC Subaward Expenses		\$0	\$11,125	\$11,125	\$11,125
Total		\$106,474	\$11,125	\$117,599	\$117,599

Source: Auditor summary of subaward expenses questioned as unsupported.

Recommendations

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

1. Resolve the \$117,599 in questioned costs, and direct UW to repay or otherwise remove the sustained questioned costs from NSF Award No. [REDACTED]
2. Direct UW to augment its policy on subrecipient monitoring and develop training to ensure that subrecipients comply with requirements for award management.
3. Direct UW to not provide future funding to WRNAC until UW confirms WRNAC has the accounting systems, policies and procedures, and controls to ensure compliance with Federal regulations and NSF award terms and conditions.
4. Direct UW to work with WRNAC to ensure adequate controls are in place to ensure that the risk of conflicts of interest are mitigated and unmanageable conflicts are reported to NSF’s Office of General Counsel.

UW Response

UW stated that it agrees to repay NSF these costs as the subrecipient did not meet the terms of the subaward agreement prior to UW issuing payment. Further, UW said that it will not provide additional funding to WRNAC and that UW was not aware of any fraud on the sub-award.

Auditor Comment

We acknowledge UW’s concurrence with the finding. UW’s decision not to provide additional funding to WRNAC is responsive to the finding and in particular to recommendations three and four, above. Our position regarding this finding remains the same.



Appendix A: UW's Response

UNIVERSITY OF WYOMING

Vice President for Research & Economic Development

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January 5, 2021

Ms. Kelly Stefanko
Audit Manager
National Science Foundation (NSF)
Office of Inspector General – Office of Audits
kstefank@nsf.gov

Re: Draft audit report "*Performance Audit of EPSCoR Incurred Costs – University of Wyoming*" dated December 10, 2020

Dear Ms. Stefanko:

The University of Wyoming (UW) has received and reviewed the draft audit report "*Performance Audit of EPSCoR Incurred Costs – University of Wyoming*" dated December 10, 2020. The following is our response to each audit finding in the report.

Finding 1: Unsupported Cost Share

The University of Wyoming (UW) concurs with this finding. A transfer of \$19,040 in allowable expenses for cost sharing was erroneously entered as \$109,040. The difference of \$90,000 has since been resolved. UW has identified an additional \$90,000 in allowable expenses to meet the mandatory cost sharing requirement and to support the cost sharing reports submitted to NSF for this award.

UW implemented a new cost transfer policy "Expenditure Correction / Cost Transfer Policy" on 7/1/2019. College Business Officer training was completed in Fall 2019 and updated materials and guidance was sent to the campus. Office of Sponsored Program Coordinators were trained Fall 2020.

Finding 2: Unsupported and Unallowable Promotional Expenses

The University of Wyoming (UW) concurs with this finding and will repay NSF these costs. UW's current "Procurement Card Policies and Procedures" (<http://www.uwyo.edu/administration/financial-affairs/policies/>) requires itemized receipts.

Finding 3: Unallowable Entertainment Expenses

The University of Wyoming (UW) believes these are necessary expenses to support UW's "Summer Research Apprentice Program" (SRAP). SRAP is a 2-month residential program for high school students that provides hands-on experience in science, mathematics, statistics, and/or engineering research in support of NSF's broader impacts requirement for this award. The program also provides educational and research activities outside of the lab to keep students engaged and safe. The expenses in question were primarily for activities that may be considered entertainment for a research project, but these activities are vital to the success of this residential program that includes minors living on a college campus. Further information about this program can be found at: <http://www.uwyo.edu/epscoR/broader-impacts/srap/>.

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January 5, 2021

Ms. Kelly Stefanko

Re: Draft audit report *“Performance Audit of EPSCoR Incurred Costs – University of Wyoming”*

Finding 3: Unallowable Entertainment Expenses (continued)

UW agrees that additional support can be provided to the program officer in support of these activities in question and prior to the start of each year’s program. The SRAP program coordinator develops a calendar of activities each year and tracks attendance. UW will document the programmatic purpose and participants on the related expenses documentation for SRAP activities.

UW agrees that indirect costs should not have been assessed to these participant support expenses and will repay NSF \$4,150.

Finding 4: Unallowable Indirect Costs Charged

The University of Wyoming (UW) concurs with this finding and will repay NSF these costs. UW implemented a new practice to create distinct projects for participant support costs with a budget that matches the awarded participant support funding. This was a practice that existed before the conversion to the new financial system in July 2017.

Finding 5: Unallowable Meal Charges

The University of Wyoming (UW) concurs with this finding and will repay NSF these costs. UW’s current Direct Charging policy (<http://www.uwyo.edu/administration/financial-affairs/sponsored-programs/>) makes the distinction between allowable meals and meals for entertainment. Training was provided to College Business Officers in Fall 2019. UW plans to train department grant administrators in spring/summer 2021 as part of a comprehensive campus outreach and training program.

Finding 6: Unsupported Subrecipient Expenses

The University of Wyoming (UW) agrees to repay NSF these costs as the subrecipient did not meet the terms of the subaward agreement prior to UW issuing payment. Based on the subrecipient’s inability to meet the terms of the subaward agreement, UW will not provide any additional funding to the subrecipient. UW is not aware of fraud related to this subaward.

UW’s current Sub-recipient Monitoring Procedure (<http://www.uwyo.edu/administration/financial-affairs/sponsored-programs/>) includes the requirement for the award’s Principal Investigator to approve invoices for payment consistent with the subaward terms and conditions. UW plans to train department grant administrators in spring/summer 2021 as part of a comprehensive campus outreach and training program.

UW requests information to assess the risk of a potential subrecipient consistent with the industry standards as prescribed by the Federal Demonstration Partnership (FDP). FDP is an association of federal agencies, academic research institutions with administrative, faculty and technical representation, and research policy organizations that work to streamline the administration of federally sponsored research. FDP subaward forms including a risk assessment template can be found at: <https://thefdp.org/default/subaward-forms/>. The UW template is intended to provide certification that an organization has the necessary controls to accept and manage a federal award.



NATIONAL SCIENCE FOUNDATION OFFICE OF INSPECTOR GENERAL

January 5, 2021

Ms. Kelly Stefanko

Re: Draft audit report *"Performance Audit of EPSCoR Incurred Costs – University of Wyoming"*

We appreciate your review and consideration of our responses. Please contact Comfort Brownell, Senior Director, Office of Sponsored Programs at [REDACTED]@uwyo.edu if you have any questions or need additional information regarding this audit.

Respectfully,

[REDACTED]

Diana Hulme

Associate Vice President for Research

xc: Comfort Brownell, Senior Director, Office of Sponsored Programs, University of Wyoming
Brent Ewers, Director of EPSCoR, University of Wyoming
David Jewell, Associate Vice-President, Financial Affairs, University of Wyoming
Farrell Rapp, Director, Research Services, University of Wyoming



Appendix B: Objective, Scope, and Methodology

The objective of this performance audit was to determine if costs claimed by UW were allowable, allocable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal requirements. To accomplish this objective, we examined costs claimed as well as mandatory cost share contributions on two EPSCoR awards made to UW through November 7, 2019. We judgmentally selected a sample of transactions based on amount and account description, totaling \$1,412,580, to identify potential risk areas.³¹

We obtained computer-processed data from UW and NSF during our audit. UW provided detailed transaction data for costs charged to NSF awards and reported as cost share. We assessed the reliability of the UW data by (1) interviewing UW staff knowledgeable about the data, (2) reviewing information about the data and the system that produced them, and (3) performing reconciliations and testing of various data elements. We obtained NSF data by directly accessing NSF's various data systems. We corroborated the NSF data with other sources and determined that the data were sufficiently reliable for the purposes of this audit.

In assessing the allowability of UW's costs claimed, we also gained an understanding of the internal control structure applicable to the scope of this audit through interviewing UW staff, reviewing policies and procedures, reviewing cost share and general ledger transactions and accounting system documentation, and conducting transaction testing. We assessed all five components of internal control. We also assessed UW's compliance with the following:

- OMB Circular A-21, *Cost Principles for Educational Institutions*;
- OMB, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR, Part 200);
- *NSF Proposal and Award Policies and Procedures Guide*; and
- *NSF Cooperative Agreement Financial & Administrative Terms and Conditions*, effective January 4, 2010.

We conducted this performance audit between July 2019 and October 2020 in accordance with *Generally Accepted Government Auditing Standards*. 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.

We held an exit conference with UW management on December 3, 2020.

Elizabeth Kearns, Director, Audit Execution; Kelly Stefanko, Audit Manager; Phillip Emswiler, Program Analyst; Emma Bright, Senior Data Analyst; Brittany Moon, Senior Auditor; Jennifer Miller, Director, Compliance Analytics; Dan Buchtel, Deputy Assistant Inspector General for Audits; Elizabeth Argeris Lewis, Executive Officer and Communications Analyst; and Darrell Drake, Independent Report Referencer, made key contributions to this report.

³¹ We identified and questioned SRAP activities and indirect costs on SRAP subsistence outside of this judgmental sample.



Appendix C: Summary of Questioned Costs by Finding

Finding	Reference	Description	Questioned Costs		Total
			Unsupported	Unallowable	
1	See page 2	Unsupported Cost Share Transfer	\$90,000	\$0	\$90,000
2	See Table 1	Unsupported and Unallowable Promotional Costs	\$5,978	\$1,930	\$7,908
3	See Table 2	Unallowable SRAP Activity Expenses	\$0	\$15,207	\$15,207
4	See Table 3	Unallowable Indirect Costs Charged	\$0	\$24,773	\$24,773
5	See Table 4	Unallowable Meal Expenses	\$0	\$864	\$864
6	See Table 5	Unsupported Sub-Award Expenses	\$117,599		\$117,599
Total			\$213,577	\$42,774	\$256,351

Source: Auditor summary of questioned transactions.



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