



National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

Date: AUG 25 2016

To: Dale Bell
Director, Division of Institution and Award Support

Karen Tiplady
Director, Division of Grants and Agreements

From: 
Marie A. Maguire
Assistant Inspector General for Audit (Acting)

Subject: Audit Report No. 16-1-022,
Georgetown University

This memorandum transmits the Cotton & Company (Cotton) report for the audit of costs totaling approximately \$15.4 million charged by Georgetown University (Georgetown) to its sponsored agreements with the National Science Foundation (NSF) during the period July 1, 2009 through June 30, 2012. The audit objectives were to: (1) identify and report on instances of unallowable, unallocable, and unreasonable costs; and (2) identify and report on instances of noncompliance with regulations and Federal financial assistance requirements.

The auditors found that costs Georgetown charged to its NSF sponsored agreements did not always comply with applicable Federal and NSF award requirements and university-specific award requirements. The auditors questioned \$110,547 of costs claimed on 17 NSF awards. Specifically, the auditors noted: \$54,722 in unreimbursable expenses; \$22,165 in insufficiently supported expenditures; \$14,496 in indirect expenses inappropriately claimed on participant support costs; \$9,825 in salary costs that exceeded NSF's allowable limits; \$4,797 in travel expenses that did not benefit the NSF awards to which they were allocated; \$2,692 in airfare expenses that did not comply with the Fly America Act; and \$1,850 in overstated salary expenses allocated to NSF awards. These questioned costs resulted in seven areas identified where Georgetown's controls could be improved to ensure compliance with laws and regulations.

The auditors recommended that NSF address the findings by requiring Georgetown to work with NSF in resolving the questioned costs of \$110,547, and strengthen Georgetown's administrative and management controls.

Georgetown, in its July 22, 2016 response to the report and recommendations, agreed with the findings and to return the \$110,547 of questioned costs to NSF. Georgetown stated that it has strengthened its management controls and accounting procedures and will implement the audit recommendations. Georgetown's response is described after the findings and recommendations and is included in its entirety in Appendix B.

Appendix A contains a schedule of the questioned costs. We separately provided additional information concerning the questioned items to the Division of Institution and Award Support, Cost Analysis and Audit Resolution Branch. Please coordinate with our office during the six month resolution period, as specified by OMB Circular A-50, to develop a mutually agreeable resolution of the audit findings. Also, the findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of Audit

To fulfill our responsibilities under generally accepted government auditing standards, we:

- Reviewed Cotton'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 Cotton and NSF officials, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report, prepared by Cotton, to ensure compliance with generally accepted government auditing standards; and
- Coordinated issuance of the audit report.

Cotton is responsible for the attached auditor's report on Georgetown and the conclusions expressed within. We do not express any opinion on the conclusions presented in Cotton's audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Billy McCain at 703-292-4989.

Attachment

cc: Alex Wynnyk, Branch Chief, CAAR
Rochelle Ray, Team Leader, CAAR
Michael Van Woert, Executive Officer, NSB
John Anderson, Audit & Oversight Committee Chairperson, NSB
Ann Bushmiller, Senior Counsel, NSB
Christina Sarris, Assistant General Counsel, OD
Kaitlin McDonald, Program Analyst, OD

GEORGETOWN UNIVERSITY

**PERFORMANCE AUDIT OF INCURRED COSTS FOR
NATIONAL SCIENCE FOUNDATION AWARDS
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2012**

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL**

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NATIONAL SCIENCE FOUNDATION PERFORMANCE AUDIT OF INCURRED COSTS GEORGETOWN UNIVERSITY

I. BACKGROUND

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

Most federal agencies have an Office of Inspector General (OIG) that provides independent oversight of the agency's programs and operations. Part of the NSF OIG's mission is to conduct audits and investigations to prevent and detect fraud, waste, and abuse. In support of this mission, the 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. The NSF OIG may also hire a contractor to provide these audit services.

The NSF OIG issued a solicitation to engage a contractor, Cotton & Company LLP (referred to as "we"), to conduct a performance audit of incurred costs for Georgetown University (GU). This performance audit included testing a sample of 320 transactions to evaluate whether the sampled costs were allocable, allowable, and reasonable in accordance with NSF award terms and conditions, as well as with applicable federal financial assistance requirements. Our audit of GU, which covered the period from July 1, 2009, to June 30, 2012, encompassed more than \$15 million in expenditures that GU claimed on Federal Financial Reports (FFRs) during the audit period.

This performance audit, conducted under Contract No. D12PS00465, was designed to meet the objectives identified in the "Objectives, Scope, and Methodology" section of this report and was conducted in accordance with Generally Accepted Government Auditing Standards, issued by the Government Accountability Office. We communicated the results of our audit and the related findings and recommendations to GU and the NSF OIG.

II. AUDIT RESULTS

Using data analytics software, the NSF OIG performed transaction-based testing on the entire universe of expenditures that GU claimed on FFRs during our audit period to identify transactions that represented anomalies, outliers, and other aberrant transactions. This universe

encompassed \$15,432,299 in costs claimed on 89 NSF awards, of which the NSF OIG selected 320 transactions totaling \$1,619,246 for our sample. Cotton & Company performed testing procedures over this sample to evaluate whether costs were allocable, reasonable, and allowable. Based on the results of our testing, we found that GU did not comply with all federal, NSF, and university-specific award requirements. As a result, we questioned \$110,547 of the sampled costs claimed by GU on 17 NSF awards during the audit period. Specifically we found:

- \$54,722 in unreimbursable expenses.
- \$22,165 in insufficiently supported expenditures.
- \$14,496 in indirect expenses inappropriately claimed on participant support costs.
- \$9,825 in salary costs that exceeded NSF's allowable limits.
- \$4,797 in travel expenses that did not benefit the NSF awards to which they were allocated.
- \$2,692 in airfare expenses that did not comply with the Fly America Act.
- \$1,850 in overstated salary expenses allocated to NSF awards.

Appendix A of this report provides a breakdown of the questioned costs by finding.

Finding 1: Unreimbursable Expenses Claimed on NSF Awards

GU charged three NSF awards a total of \$54,722 in expenses that were not reimbursable in accordance with GU's internal policies and procedures, which require expenses to be reimbursed within the fiscal year in which they are incurred.

NSF Award and Administration Guide Chapter V, Section A, *Basic Considerations*, states that expenditures under NSF cost-reimbursement grants are governed by federal cost principles and must conform with NSF policies, grant special provisions, and grantee internal policies.

GU charged the following unallowable costs to NSF awards:

- GU entered into a sub-award agreement with [REDACTED] to obtain [REDACTED]'s assistance in performing research related to the scope of NSF Award No. [REDACTED]. The Period of Performance (POP) for the agreement was from December 2007 to October 2008. In September 2009, approximately one year after the GU-[REDACTED] sub-award agreement expired and four months after the grant's POP expired, [REDACTED] sent GU an invoice requesting \$34,376 for work performed from December 1, 2007, through October 31, 2008.
- In May/June 2008, the Principal Investigator (PI) of NSF Award No. [REDACTED] purchased video equipment totaling \$3,633; however, he did not submit an expense report requesting reimbursement for the equipment until October 2010, more than two years after the expense was incurred and more than one month after the grant's period of performance (POP) expired.
- In August 2008, the PI of NSF Award No. [REDACTED] incurred a \$1,657 car rental expense; however, the PI did not request reimbursement for this expense until November 2009, more than 1 year after incurring the expense and 85 days after the grant's POP expired.

GU's policies require expenses to be claimed and reimbursed within the fiscal year in which they are incurred; however, GU's expense reporting system allows personnel to claim costs outside this period without obtaining specific approval. As a result, GU can, and does, inappropriately reimburse expenses outside of the period permitted by its own internal policy.

We are therefore questioning \$54,722 of expenses, as follows:

NSF Award No.	Fiscal Year	Questioned Costs		
		Direct	Indirect	Total
	2010		\$	\$47,751
	2011			4,883
	2010			<u>2,088</u>
Total Questioned Costs				<u>\$54,722</u>

Recommendations

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$54,722 of questioned costs.
2. Strengthen its administrative and management controls and processes over expenses that were incurred in prior fiscal years. Processes could include updating the reporting system to ensure that any expenses incurred in prior fiscal years are flagged for internal review.

Georgetown University Response: Georgetown University agreed to return the \$54,722 of questioned costs identified in this finding and to provide additional training to PIs and grant administrators regarding the timely reimbursement of expenses.

Auditors' Additional Comments: Our position regarding this finding does not change.

Finding 2: Unsupported Expenses Charged to NSF Awards

GU did not maintain sufficient documentation to support \$18,080 in direct expenses charged to four NSF awards. Without documentation to support the purpose and the amount of the expenses claimed by GU, we were unable to verify that the expenses were allocable, allowable, reasonable, and in conformance with NSF award terms and conditions or applicable federal financial assistance requirements. Specifically:

- In December 2010, GU purchased components totaling \$21,599, \$11,040 of which was allocated to NSF Award No. . The PI stated that the equipment was partially used for research on this NSF award; however, he did not adequately document the methodology for allocating the cost among multiple projects.
- In July 2012, GU processed a payroll correction on NSF Award No. to pay a graduate student for work performed from February 20 to May 16, 2012. In response to our request for supporting documentation, GU reconciled the actual hours worked based

on the employee's timesheets to the total amount paid to the employee during the year and determined that it was unable to support \$5,331 of the salary expenses charged.

- In March 2012, GU submitted an off-cycle payment request for a [REDACTED] salary payment to [REDACTED] for work performed on NSF Award No. [REDACTED] in January and February 2012. GU provided documentation indicating that it had calculated the payment request by multiplying the sampled employee's hourly rate of [REDACTED] by the number of hours the employee worked during the bi-weekly pay period, or 55; however, GU was unable to provide documentation to support the hourly rate or the number of timesheet hours used in this calculation.
- In July 2010, GU transferred \$331 in travel expenses from the general funding source to which it had originally been charged in April 2009 to NSF Award No. [REDACTED]. This transfer occurred after the grant's POP had expired. GU stated that the sampled expenses represented lodging costs incurred by a graduate student while attending a conference related to NSF Award No. [REDACTED]; however, GU was unable to provide any invoices, receipts, or credit card statements to support the date, time, or amount of this expense.

Under 2 Code of Federal Regulations (CFR) Part 220, Appendix A, Section C.2, for costs to be allowable, they must be reasonable and allocable to sponsored agreements under the principles and methods provided within the code. Section C.4.d.(1) also states that the recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles. Additionally, *NSF Award and Administration Guide* Chapter V, Section A states that grantees should ensure that costs claimed under NSF grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, NSF policy, and the program solicitation.

GU did not have sufficient controls in place to ensure that it appropriately maintains all supporting documentation and was therefore unable to provide sufficient documentation to support costs claimed to NSF. Without source documentation to support the incurred expenses, it is not possible to ensure that costs charged to NSF awards are allowable in accordance with NSF and federal policies. We are therefore questioning \$22,165 of unsupported expenses, as follows:

NSF Award No.	Fiscal Year	Questioned Costs			Total
		Direct	Fringe	Indirect	
[REDACTED]	2011	[REDACTED]	[REDACTED]	[REDACTED]	\$11,040
[REDACTED]	2012	[REDACTED]	[REDACTED]	[REDACTED]	8,577
[REDACTED]	2012	[REDACTED]	[REDACTED]	[REDACTED]	\$2,217
[REDACTED]	2011	[REDACTED]	[REDACTED]	[REDACTED]	331
Total Questioned Costs		[REDACTED]	[REDACTED]	[REDACTED]	<u>\$22,165</u>

Recommendations

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$22,165 of questioned costs.

2. Strengthen its administrative and management controls and processes over retaining supporting documentation for costs charged to its federal awards. Processes could include reviewing GU's policies and procedures, including ensuring that GU performs periodic reviews of individual departments and divisions for compliance with, and proper implementation of, established cost documentation requirements.

Georgetown University Response: Georgetown University agreed to return the \$22,165 of questioned costs and has been using an enhanced financial system that electronically stores supporting documentation so it is more readily available for review.

Auditors' Additional Comments: Our position regarding this finding does not change.

Finding 3: Indirect Costs Improperly Claimed on Participant Support Costs

GU inappropriately claimed \$14,496 of indirect costs related to participant support costs (PSCs) incurred on three NSF awards. *NSF Proposal and Award Policies and Procedures Guide* Chapter V, Section D.1.b states that NSF generally does not allow awardees to apply indirect costs to expenses paid to or on behalf of participants. However, GU allocated PSCs to accounts that receive an indirect cost allocation as follows:

- NSF Award No. [REDACTED] included funds budgeted as PSC to organize an award-related workshop. The PI held appointments at both GU and the [REDACTED] and an administrative assistant at [REDACTED] was responsible for organizing the workshop. To ease the administrative burden of reimbursing [REDACTED] for these PSC expenses, GU entered into a sub-award agreement with [REDACTED]. GU did not identify the sub-award as PSC and, as a result, inappropriately charged \$13,375 in indirect costs to NSF.
- In June 2011, GU charged \$1,110 to NSF Award No. [REDACTED] for travel expenses incurred by a postdoctoral student while participating in a [REDACTED] sponsored by the NSF award. GU did not identify the travel expenses as PSC and, as a result, inappropriately charged \$594 in indirect costs to NSF.
- In May 2011, GU charged \$985 to NSF Award No. [REDACTED] for travel expenses incurred by a participant who traveled to [REDACTED] to attend a mandatory meeting for all NSF award participants. GU did not identify the travel expenses as PSCs and, as a result, inappropriately charged \$527 in indirect costs to NSF.

GU did not have policies and procedures in place requiring PSCs to be appropriately segregated within its accounting system to ensure that it does not apply indirect costs to these amounts. As a result, GU inappropriately applied indirect costs to PSCs. We are therefore questioning \$14,496 in indirect costs charged to NSF awards, as follows:

NSF Award No.	Fiscal Year	Questioned Costs		
		Direct	Indirect	Total
	2011			\$13,375
	2011			594
	2011			<u>527</u>
Total Questioned Costs				<u>\$14,496</u>

Recommendations

We recommend that NSF’s Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$14,496 of questioned costs.
2. Strengthen its administrative and management controls and processes over PSCs. Processes could include:
 - a. Developing new policies and procedures that require GU to establish designated PSC accounts for all NSF awards that include PSCs in the budget and to review these accounts annually to ensure that the costs are accounted for appropriately.
 - b. Updating GU’s policies and procedures to require a more stringent review of all conference expense costs that are allocated to federal awards and are not accumulated in a PSC account.

Georgetown University Response: Georgetown University agreed to return the \$14,496 of questioned costs identified in this finding and has created a unique account to record PSCs within their updated accounting system.

Auditors’ Additional Comments: Our position regarding this finding does not change.

Finding 4: Salary Costs Exceeded NSF’s Allowable Limits

A GU employee identified as senior personnel inappropriately allocated more than two months of their salary to NSF within a single year. NSF policies require that awardees obtain specific approval to charge more than two months of a senior personnel member’s salary to NSF during a single year, and GU did not receive express permission to do so for the employee identified. The employee therefore should not have allocated to NSF the following excess salary expenses:

FY	FY Salary	Monthly Salary ¹	Allowable Salary	NSF Award No.	Amount Charged to NSF Award	Unallowable Salary
2011						

¹ The sampled employee’s salary was based on a nine-month appointment.

NSF's *Award and Administration Guide*, Chapter V, Section B.1.a.(ii)(a) states that NSF normally limits the amount of salary that senior project personnel may allocate to NSF awards to no more than two months of their regular salary in any one year. The guidelines specifically assert that if the grantee anticipates the need to allocate senior personnel salary in excess of two months, the excess compensation must be requested in the proposal budget, justified in the budget support documentation, and specifically approved by NSF in the award notice. In instances in which the grantee specifically requests to allocate more than two months of a senior personnel member's salary to NSF, the total amount of salary allocable is limited to the maximum number of months that NSF specifically approves within the applicable budget documents.

GU personnel believed that this instance did not violate NSF's two-month rule, as the employee did not allocate more than two months of their salary to a single NSF award; however, as NSF's policy applies to senior personnel salary allocated to all NSF awards during a single year, the PI would still have needed to receive express permission from NSF to allocate the excess salary. As GU was unable to provide documentation to verify that NSF had given such permission in this case, either through grant budgets or through subsequent approvals, we are questioning \$9,825 of salary, fringe benefits, and indirect expenses charged to NSF in excess of the two-month limit.

NSF Award No.	FY	Questioned Costs			
		Direct ²	Fringe	Indirect	Total
██████████	2011	\$ ██████████	\$ ██████████	\$ ██████████	\$9,825

Recommendations

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$9,825 of questioned costs.
2. Update GU's policies and procedures to require senior personnel to receive express permission to allocate more than two months of their salary to NSF during a one-year period.
3. Provide updated training to sponsored projects personnel, as well as senior personnel on NSF awards, to ensure that they appropriately interpret NSF's senior personnel salary limitation.
4. Strengthen its administrative and management controls and processes over the allocation of senior personnel salary to ensure compliance with NSF's policy.
5. Implement university-wide procedures to ensure that all departments monitor the allocation of senior personnel salaries.

² The final salary payment charged to NSF that resulted in the two-month rule violation was allocated to NSF Award No. ██████████; therefore, using a last-in, first-out methodology, all costs are questioned on this award.

Georgetown University Response: Georgetown University agreed to return the \$9,825 of questioned costs identified in this finding and to conduct additional training and outreach to PIs and grant administrators on NSF’s requirements regarding senior personnel salary.

Auditors’ Additional Comments: Our position regarding this finding does not change.

Finding 5: Claimed Expenses Did Not Benefit NSF Awards

GU charged three NSF awards a total of \$4,797 in expenses that did not benefit the awards. Both 2 CFR 220 and the *NSF Award and Administration Guide* require that all costs claimed under NSF grants be necessary, reasonable, allocable, and allowable. The regulations also state that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to the cost objective in accordance with the relative benefits received. We determined that GU did not allocate the following expenses based on the relative benefits received:

- In June 2010, GU charged \$1,917 to NSF Award No. [REDACTED] for airfare expenses incurred for a GU research assistant to fly to [REDACTED] to perform fieldwork. The annual report for this award did not identify the traveler as an award participant, nor did the traveler allocate any salary expenses to this award. GU stated that the purpose of the trip was to perform fieldwork on this NSF award; however, because the student’s primary focus was performing research on a “different, albeit related, program,” this student did not certify spending effort on this award.
- The PI of NSF Award No. [REDACTED] purchased a truck to perform fieldwork related to this award while living in [REDACTED]. The truck’s 10,900 [REDACTED] purchase price included 9,000 [REDACTED] for the purchase of the vehicle and an additional 1,900 [REDACTED] for vehicle repairs. When requesting reimbursement for the truck in July 2009, the PI requested 10,900 [REDACTED] for the purchase of the vehicle and an additional 1,900 [REDACTED] for the vehicle repairs. As the cost of repairs was included in the original 10,900 [REDACTED] invoice, the additional 1,900 [REDACTED] (equivalent to \$1,740 USD) for repair costs did not represent a valid expense. GU stated that the cost of the repairs was mistakenly reimbursed both as a separate transaction and as part of the purchase price of the vehicle.
- In August 2009, GU charged \$189 to NSF Award No. [REDACTED] for airfare expenses that the PI incurred for travel to collaborate with a colleague at [REDACTED]. The PI’s colleague was not identified as a collaborator on this NSF award, nor was GU able to demonstrate how the expense related to the NSF award. GU determined that the airfare expense was related to work performed on the PI’s National Institute of Health (NIH) award, which was active at the time.

We are questioning \$4,797 of unallocable expenses charged to the NSF awards, as follows:

NSF Award No.	Fiscal Year	Questioned Costs		
		Direct	Indirect	Total
	2010	\$		\$2,415
	2010			2,193
	2009			189
Total Questioned Costs		\$		<u>\$4,797</u>

Recommendations

We recommend that NSF’s Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$4,797 of questioned costs.
2. Strengthen its administrative and management controls and processes over expense reporting. Processes could include adding a requirement that, when requesting reimbursement for expenses that will be allocated to federal awards, travelers provide a written justification detailing how the travel benefitted the federal award.

Georgetown University Response: Georgetown University agreed to return the \$4,797 of questioned costs identified in this finding and to provide ongoing training for PIs and grant administrators, which emphasizes the cost principles of allowability, allocability, and reasonableness.

Auditors’ Additional Comments: Our position regarding this finding does not change.

Finding 6: Airline Travel Did Not Comply with the Fly America Act

GU charged \$2,692 to NSF Award No. [REDACTED] for airfare expenses provided by a foreign flag carrier. The Fly America Act, established within 49 United States Code (USC) 40118, requires all air travel funded by the federal government to be on U.S. flag carriers, unless specific exceptions apply. In March 2010, a postdoctoral student performing research on NSF Award No. [REDACTED] flew to [REDACTED] to present a paper at an award-related conference. In booking the most reasonably priced airfare available, the student did not consider the flag carrier of the flight and, as a result, reserved and subsequently requested reimbursement for airfare expenses provided by a foreign flag carrier.

GU’s travel policies do not require travelers to follow the Fly America Act; as a result, employees may not be aware that all air travel funded by the federal government must be on a U.S. flag carrier unless an exception applies. We are therefore questioning \$2,692 in travel expenses, as follows:

NSF Award No.	Fiscal Year	Questioned Costs		
		Direct	Indirect	Total
0623871	2010	\$		\$2,692

Recommendations

We recommend that NSF’s Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$2,692 of questioned costs.
2. Update its travel policies and procedures to include a requirement that all foreign travel sponsored by federal awards comply with the Fly America Act.
3. Strengthen its administrative and management controls and processes over the processing of travel reimbursements allocable to federal awards. Processes could include requiring GU to review all foreign airfare allocated to federal awards for compliance with the Fly America Act.

Georgetown University Response: Georgetown University agreed to return the \$2,692 of questioned costs identified in this finding and is in the process of updating its business travel and entertainment policy to include the requirement that all foreign travel sponsored by federal awards comply with the Fly America Act.

Auditors’ Additional Comments: Our position regarding this finding does not change.

Finding 7: Overstated Salary Expenses Charged to NSF Awards

GU overstated salary expenses charged to four NSF awards by a total of \$1,126 because the charges were based on salary rates that were greater than the approved rates supported by the employees’ and students’ salary agreements and offer letters. The detailed charges are as follows:

Instance No.	Fiscal Year	NSF Award No.	Approved Stipend	Approved Salary	Amount Charged to NSF Award	Overstated Salary
1	2010			N/A		\$68
2	2010			N/A		68
3	2010			N/A		68
4	2010		N/A			445
5	2010		N/A			445
6	2010		N/A			<u>32</u>
Total Questioned Salary Costs						<u>\$1,126</u>

According to 2 CFR 220, Section J.10.d, charges for work that faculty members performed on sponsored agreements during the academic year should be based on the individual faculty member’s regular compensation for the continuous period that constitutes the basis of their salary. It further states that in no event will charges to sponsored agreements exceed the proportionate share of the base salary for that period.

GU representatives stated that the overstated salary and stipend amounts were the result of administrative errors. As the administrative errors resulted in NSF being overcharged for salary expenses, we are questioning \$1,850 of salary expenses, as follows:

NSF Award No.	Fiscal Year	Questioned Costs			
		Direct	Fringe	Indirect	Total
	2010				\$312
	2010				583
	2010				895
	2010				<u>60</u>
Total Questioned Costs		\$			<u>\$1,850</u>

Recommendations

We recommend that NSF’s Director of the Division of Institution and Award Support address and resolve the following recommendations for GU to:

1. Work with NSF to resolve the \$1,850 of questioned costs.
2. Strengthen its administrative and management controls and processes over allocating salary expenses to sponsored projects. Processes could include strengthening internal procedures to ensure that salary expenses are allocated at the same rate for each month within a salary agreement year, regardless of funding source.

Georgetown University Response: Georgetown University agreed to return the \$1,850 of questioned costs identified in this finding and has amended its Effort Reporting Policy to include additional guidance for calculating and allocating salary to grants.

Auditors’ Additional Comments: Our position regarding this finding does not change.

COTTON & COMPANY LLP



CPA, CFE

Partner

August 22, 2016

APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING

This Appendix to the Report contains non-public information and is not posted.

APPENDIX B: GEORGETOWN UNIVERSITY RESPONSE



GEORGETOWN UNIVERSITY

Division of Financial Affairs

July 22, 2016

Cotton & Company, LLP
635 Slaters Lane, 4th Floor
Alexandria, VA 22314

Re: *Georgetown University - Performance Audit of Incurred Costs for National Science Foundation Awards for the Period July 1, 2009 to June 30, 2012*

Dear [REDACTED]

On behalf of Georgetown University ("Georgetown" or "the University"), I am submitting these comments in response to the Draft Audit Report ("Draft Audit Report") issued by Cotton & Co. on July 15, 2016 in the above-referenced audit. The University accepts the findings of questioned costs, so these comments focus, for each finding, on describing the relevant policies, procedures, and internal controls that the University currently has in place or plans to implement.

Finding 1: Unreimbursable Expenses Claimed on Federal Awards

Georgetown agrees to repay the \$54,722 of questioned costs identified in this finding.

We wish to clarify University policies and requirements regarding timely payment of expenses. The University's Employee Reimbursement Policy¹ (Policy #FA 112B) and Business Travel and Entertainment Policy (Policy #FA 112A) require that employees submit business travel expenses for reimbursement within 60 days after the expense was paid or incurred. Similarly, in its subaward agreements, the University follows the Federal Demonstration Partnership (FDP) subaward template language and provides that subrecipients should submit final invoices not later than 60 days after the end date of the subaward. These are the applicable time frames under which the types of expenses questioned by Cotton should be submitted for reimbursement.

The University will provide additional training of Principal Investigations (PIs) and grant administrators regarding these time frames, and will also review its existing policies, procedures, and controls to determine what changes or enhancements could be made.

Finding 2: Unsupported Expenses Charged to NSF Awards

Georgetown agrees to repay the \$22,165 in questioned costs identified in this finding.

¹ The University policies referenced in these comments can be found online on at <http://financialaffairs.georgetown.edu/policies>.

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PO Box 571198
Washington, DC 20057

Since the questioned costs were incurred, Georgetown has instituted significant additional internal controls and policies that enhance the storage and retrieval of supporting documentation for costs charged to its federal awards, including the following:

1. Effective July 1, 2014, Georgetown began using an enhanced financial system based on a Workday platform that takes advantage of cloud technologies and storage capabilities. The University refers to this new, enhanced system as the Georgetown Management System ("GMS"). In GMS, each award is assigned one or more unique grant numbers. Each transaction is posted to the specific grant number to which the transaction relates. Four to eight worktags (including spend and revenue categories) are assigned to each transaction to classify the transaction and enable the University to efficiently index, group, review and report on financial information.

Additionally, all purchase requisitions, purchase orders, invoices, employee reimbursements and journal entries are initiated, reviewed, and approved using the approval workflow in GMS. The documents and information regarding the approvers, dates of approval, and supporting documents are stored electronically within GMS and can be more readily available for review by PIs, grant managers, and central finance offices. This enhanced use of electronic records and business processes achieves greater "effective" centralization, improves the availability of information, and enhances the audit trail for transactions. More information regarding GMS and its capabilities can be found at <https://gms.georgetown.edu>

2. Beginning January 1, 2012, the University moved to an electronic time-keeping function that is directly linked to the payroll function; both functions also are housed within GMS. Employees' timesheets are now all accessible directly through GMS, instead of being maintained only in paper form.
3. Effective July 1, 2015, Georgetown adopted a Direct Cost Allocation Policy (Policy #FA 186) that provides guidance to PIs on allocating charges that benefit multiple projects, and requires that allocation methodologies used by PIs be documented, maintained, and reviewed on an annual basis.

The University has conducted multiple trainings for PIs and grants administrators on these new policies, procedures, and controls, and will continue to emphasize these requirements in ongoing training.

Finding 3: Indirect Costs Improperly Claimed as Participant Support Costs

Georgetown agrees to repay the \$14,496 in questioned costs identified in this finding.

To further ensure that indirect costs are not charged on participant support costs, effective October 2014, a unique GMS "Spend Category" was created to record participant costs. This specific Spend Category, along with others not subject to indirect costs, rolls up to an "object class" marked as exempt so that no indirect costs are applied to transactions recorded in this

group of exempted object class. In addition, under the University's Budget-to-Actual Report (BAR) Review and Reconciliation Policy (Policy #FA 160), grant administrators are required, on at least a monthly basis, to review and reconcile the costs recorded in a specific grant. Regular BAR reviews allow the administrators to compare incurred participant support costs to budgeted participant support costs, and to identify whether participant support costs have been properly classified in the correct Spend Category.

The University will provide additional training of PIs and grants administrators on the types of costs that qualify as participant support costs and the correct GMS Spend Category for recording these costs.

Finding 4: Salary Costs Exceeded NSF's Allowable Limits

Georgetown agrees to repay the \$9,825 in questioned costs identified in this finding.

After further review, we have determined that the NSF guidance contained in the 2010 Frequently Asked Questions and the 2015 NSF Proposal and Award Policies and Procedures Guide (regarding rebudgeting salaries in excess of the 2/9 rule without NSF approval) was not applicable in this situation. We will conduct additional training of and outreach to PIs and grants administrators on NSF's requirements regarding summer salary.

Finding 5: Claimed Expenses Did Not Benefit NSF Awards

Georgetown agrees to repay the \$4,797 in questioned costs identified in this finding.

Several of the policies, procedures, and internal controls described above also help to lower the risk that costs are charged to NSF awards that do not benefit those awards:

1. The BAR Review and Reconciliation Policy (Policy #FA 160) requires a monthly review of all costs recorded for a specific grant to determine if they are allowable, allocable to the specific grant, and reasonable. If it is determined during this review that a particular cost does not benefit the grant in question, it will be removed from that grant and charged to the appropriate institutional funding source.
2. The Direct Cost Allocation Policy (Policy #FA 186) requires that, where a cost benefits more than one project, PIs develop a reasonable methodology of allocating costs between those projects, and that this methodology is documented and followed when allocating costs.

In addition, the University's ongoing training for PIs and grants administrators emphasizes the cost principles of allowability, allocability, and reasonableness, and will continue to emphasize these principles, as well as the requirements of the policies described above.

Finding 6: Airline Travel Did Not Comply with the Fly America Act

Georgetown agrees to repay the \$2,692 in questioned costs identified in this finding.

The University is in the process of updating the University-wide Business Travel and Entertainment Policy (Policy #FA 112A) to include the requirement that all foreign travel sponsored by federal awards comply with the Fly America Act.

The University will also develop guidance and provide enhanced training for PIs, grants administrators, procurement card administrators, and the University's preferred travel agents on the requirements of the Fly America Act.

Finding 7: Overstated Salary Expenses Charged to NSF Awards

Georgetown agrees to repay the \$1,850 in questioned costs identified in this finding.

Many of the questioned costs in this finding arose from administrative errors in calculating the summer salary for faculty members – a complicated process because some faculty contracts begin July 1, while others begin August 1. To help prevent similar administrative errors from occurring in the future, the University has amended its Effort Reporting Policy (Policy # FA131) to include additional guidance in Appendix 1 for calculating summer salary and allocating the salary to grants under several different scenarios. The University will also develop training for grants administrators that emphasizes these requirements.

* * *

Thank you for the opportunity to submit these comments on the draft report. If you have any questions or need any additional information from the University, please do not hesitate to contact [REDACTED] at 202-[REDACTED]

Sincerely,

[REDACTED]

[REDACTED]

APPENDIX C: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we” in this report) to conduct a performance audit of costs that GU incurred on NSF awards for the period from July 1, 2009, through June 30, 2012. The objectives of the audit were to identify and report on instances of unallowable, unallocable, and unreasonable costs, as well as instances of noncompliance with regulations, federal financial assistance requirements, and provisions of the NSF award agreements as they relate to the transactions tested.

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

At the NSF OIG’s request, GU provided detailed transaction data for all costs charged to NSF awards for the period July 1, 2009, through June 30, 2012. This resulted in an audit universe of approximately \$15.4 million, including more than 24,400 transactions across 89 NSF awards. The NSF OIG reviewed available accounting and administration policies and procedures, relevant documented management initiatives, previously issued external audit reports and desk review reports, and schedules and reconciliations prepared by GU and agreed them to supporting accounting records.

After verifying that the population of data was appropriate, the NSF OIG analyzed the data contained in the GU general ledger and supporting detailed ledgers to identify anomalies, outliers, and aberrant transactions. The NSF OIG then judgmentally selected a sample of transactions to test based on criteria that included, but were not limited to, large dollar amounts, possible duplications, indications of unusual trends in spending, inconsistency with other transactions, even dollar amounts, descriptions indicating potentially unallowable costs, and frequency.

The NSF OIG identified and provided to us a list of 320 transactions for testing. We sent this list to GU and requested documentation to support each transaction. We reviewed the supporting documentation provided by GU and evaluated the allowability, allocability, and reasonableness of each transaction. When necessary, we requested additional supporting documentation, reviewed it, and obtained explanations and justifications from PIs and other knowledgeable GU personnel until we had sufficient support to assess the allowability, allocability, and reasonableness of each transaction. Our work required us to rely on the computer-processed data obtained from GU and the NSF OIG. We assessed NSF’s computer-processed data and found it to be sufficiently reliable for the purposes of this audit.

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

We conducted this performance audit 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 based on our audit objectives.