



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

MEMORANDUM

DATE: January 29, 2016

TO: Jeffery M. Lupis
Director, Division of Acquisition and Cooperative Support (DACCS)

FROM: Dr. Brett M. Baker 
Assistant Inspector General for Audit

SUBJECT: NSF OIG Report No. **OIG-16-6-004**, *Inadequate Incurred Cost Submissions for Fiscal Years 2011-2013, Associated Universities, Inc. (AUI)*

The Defense Contract Audit Agency (DCAA) performed an adequacy review of AUI's incurred cost submissions for fiscal years (FY) 2011-2013 to determine if they included all of the schedules necessary to facilitate timely completion of an audit (in the event an audit was requested). DCAA used the guidance contained in the NSF Indirect Cost Rate Proposal Submission Procedures (which refers to various additional references cited in the memo) as a basis for its adequacy review. DCAA's inadequacy memo, dated November 12, 2015, is attached.

The review concluded that AUI's submissions for all three years are inadequate to initiate an audit because many important schedules and information were missing, including: a summary of all indirect cost rates, schedule of claimed overhead expenses, schedule of direct costs by contract/subcontract and indirect expense applied at claimed rates, and a number of other items. See the attached letter for details.

It is significant that a major, high-dollar NSF awardee's¹ proposed cost submissions are missing important information needed to facilitate an audit. In OIG's alert memo on NSF's management of cooperative agreements,² we recommended that NSF obtain annual incurred cost submissions from its awardees with large cooperative agreements to determine the reasonableness, allocability and allowability of costs claimed to NSF. Adequate incurred cost submissions, including all important schedules and data, are critical for NSF to properly discharge its administrative and fiduciary responsibilities as stewards of federal funds.

¹ AUI has multiple NSF awards including the nearly \$500 million Atacama Large Millimeter Array (ALMA) award.

² NSF OIG Alert Memo 12-6-001, *NSF's Management of Cooperative Agreements*, dated September 28, 2012

Accordingly, we recommend that NSF require AUI to provide the missing schedules and information noted in the DCAA memo for its incurred cost submissions for FYs 2011-2013. To prevent this problem from recurring, we also recommend that NSF take steps to ensure that all AUI's incurred cost submissions for future years contain adequate data.

This OIG memo is related to the above cited OIG alert memo no. 12-6-001 and brings to NSF's attention issues identified during that work that warrant corrective action.

DCAA is responsible for the attached inadequacy memo and the conclusions expressed in that memo.

In accordance with OMB Circular A-50, Audit Follow-up, please provide our office with a written corrective action plan to address the report's recommendations. In addressing the recommendations, this corrective action plan should detail specific actions and associated milestone dates. Please provide the action plan within 60 calendar days of the date of this report.

If you have any questions about this report, please contact David Willems at (703) 292-4979 or Jannifer Jenkins at (703) 292-4996.

Attachment: DCAA memo dated November 12, 2015, Subject: *Inadequate Incurred Cost Submission for Fiscal Year 2011-2013, Associated Universities, Inc.*

cc: Richard Buckius
Martha Rubenstein
Dale Bell
Ruth David
Michael Van Woert
Christina Sarris
Allison Lerner



DEFENSE CONTRACT AUDIT AGENCY

MID-ATLANTIC REGION
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10025 GOVERNOR WARFIELD PARKWAY, SUITE 220
COLUMBIA, MD 21044-3329

IN REPLY REFER TO

6171-2011J10100007, 2012J10100009, & 2013J10100009

November 12, 2015

National Science Foundation
Attention: Ms. Jannifer Jenkins, Senior Audit Manager
Office of the Inspector General
4201 Wilson Boulevard
Arlington, VA 22230
E-mail Address: jcjenkins@nsf.gov

SUBJECT: Inadequate Incurred Cost Submission for Fiscal Year 2011-2013
Associated Universities, Inc.
1400 16th Street, NW Suite 730
Washington, DC 20036

Dear Ms. Jenkins:

We reviewed the Incurred Cost Proposal for the fiscal years (FY) ending September 30, 2012, received January 23, 2014, for Associated Universities, Inc. (AUI). Our review indicates that the proposal does not include all of the schedules necessary to facilitate a timely completion of our audit in accordance with generally accepted government auditing standards. We consider this proposal inadequate until we receive the additional data requested.

For **guidance** on what generally constitutes an adequate final indirect cost rate proposal and supporting data, contractors should refer to the following:

NSF Indirect Cost Rate Proposal Submission Procedures for indirect cost rate proposal submission requirements. See <http://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf>. In addition, NSF Indirect Rate Proposal Submission Procedures refers to the following additional references:

- Office of Naval Research provides “Guidance for Indirect Cost Rate Proposals for Non-Profits with less than \$10M Federal Funding of Direct Costs in a Fiscal Year” on their public website <http://www.onr.navy.mil/Contracts-Grants/manage-grant/indirect-cost-proposal.aspx>.
- Department of Health and Human Services (DHHS)’s guidance for submitting Nonprofit Indirect Cost Rate proposals, if your nonprofit organization receives greater than \$10M of direct Federal funding annually, which may be downloaded at http://rates.psc.gov/fms/dca/np_exall2.html.

SUBJECT: Inadequate Incurred Cost Submission for Fiscal Year 2011-2013

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- Defense Contract Audit Agency Pamphlet (DCAAP) No. 7641.90, Information for Contractors, January 2005 version is available for guidance to the electronic Model Incurred Cost Proposal (ICE) in accordance with FAR 52.216-7(d). The ICE Model may be obtained at our public website address <http://www.dcaa.mil>. (Go to Checklist and Tools – Incurred Cost Electronically Model.

We are requesting your assistance in receiving the following schedules from AUJ by December 30, 2015, and NSF OIG plans for potential funding of audits for FY 2016. We will not begin our audits until the information is received:

- Summary of all claimed indirect rates (including common cost recovery rate [CCR], fringe benefits rate, and leave rate);
- Schedule of claimed overhead expenses;
- Schedule of intermediate indirect cost pools (including directly associated costs);
- Detailed listing of Fringe Expenses;
- Reconciliation of books of account and claimed direct costs;
- Summary Schedule of Direct Contract/Subcontract Costs;
- Schedule of Direct Costs by Contract/Subcontract and Indirect Expense Applied at Claimed Rates;
- Schedule of government participation in Indirect Expense Pools;
- Schedule of cumulative direct and indirect costs claimed and billed;
- Subcontract information;
- Reconciliation of total payroll to labor distribution;
- Listing of decisions, agreements, approvals and description of accounting and organization changes;
- Certificate of Indirect Costs;
- Award Closing Information for those completed in the fiscal year; and
- Schedule of proposed carry-forwards amounts

Please coordinate with [REDACTED], Controller to provide any additional information to your office and copy our office at [REDACTED]. If you have any questions, please contact [REDACTED], Supervisory Auditor, at [REDACTED] and email address [REDACTED]. Our FAX number is [REDACTED].

Sincerely,

[REDACTED]

/for/ [REDACTED]
Branch Manager

Copy furnished:

[REDACTED], Controller,

Email Address: [REDACTED]

[REDACTED]

SUBJECT: Inadequate Incurred Cost Submission for Fiscal Year 2011-2013
Associated Universities, Inc.

Mr. David Willems, Audit Manager, NSF
Email Address: dwillems@nsf.gov

Ms. Sherrye L. McGregor, Contracting Officer Technical Representative
Email Address: smcgrego@nsf.gov