

Performance Audit of Incurred Costs – Colorado State University

REPORT PREPARED BY GRANT THORNTON LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

February 25, 2019
OIG 19-1-003





AT A GLANCE

Performance Audit of Incurred Costs – Colorado State University
Report No. OIG 19-1-003
February 25, 2019

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Grant Thornton LLP (GT) to conduct a performance audit of incurred costs at Colorado State University (CSU) for the period October 1, 2012, to September 30, 2015. The auditors tested more than \$3 million of the \$97 million of costs claimed to NSF. The objective of the audit was to determine if costs claimed by CSU on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

AUDIT RESULTS

The report highlights concerns about CSU's compliance with certain Federal, NSF, and/or CSU regulations and policies when allocating expenses to NSF awards. The auditors questioned \$19,365 of costs claimed by CSU during the audit period. Specifically, the auditors found \$10,989 in unsupported costs, \$2,376 in improperly allocated costs, and \$6,000 in costs improperly transferred between awards. GT is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in GT's audit report.

RECOMMENDATIONS

The auditors included three findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure CSU strengthens administrative and management controls.

AUDITEE RESPONSE

CSU disagreed with all of the findings in the report. CSU's response is attached in its entirety to the report as Attachment III.

FOR FURTHER INFORMATION, CONTACT US AT 703.292.7100 OR OIG@NSF.GOV.



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

MEMORANDUM

DATE: February 25, 2019

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements
[REDACTED]

FROM: Mark Bell
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 19-1-003, Colorado State University

This memo transmits the Grant Thornton LLP (GT) report for the audit of costs charged by Colorado State University (CSU) to its awards with the National Science Foundation during the period October 1, 2012, to September 30, 2015. The audit encompassed more than \$3 million of the \$97 million claimed to NSF during the period. The objective of the audit was to determine if costs claimed by CSU on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

Please coordinate with our office during the 6-month resolution period, as specified by Office of Management and Budget Circular A-50, to develop a mutually agreeable resolution of the audit findings. The findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of Audit

GT is responsible for the attached auditors' report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in GT's audit report. To fulfill our responsibilities, we:

- reviewed GT'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 GT, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by GT; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Jeremy Hall at 703.292.7100 or oig@nsf.gov.

Attachment

cc:

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Jeremy Hall
Karen Scott



About NSF OIG

We promote effectiveness, efficiency, and economy in administering the Foundation's programs; detect and prevent fraud, waste, and abuse within NSF or by individuals who receive NSF funding; and identify and help to resolve cases of research misconduct. NSF OIG was established in 1989, in compliance with the *Inspector General Act of 1978*, as amended. Because the Inspector General reports directly to the National Science Board and Congress, the Office is organizationally independent from the Foundation.

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COLORADO STATE UNIVERSITY

Audit of Incurred Costs for National Science Foundation Awards for
Period from October 1, 2012, to September 30, 2015

Table of Contents

Performance Audit Report.....	1
Attachment I: Detailed Information Relative to Significant Noncompliance (Findings).....	5
Attachment II: Questioned Costs by Finding.....	9
Attachment III: Colorado State University Responses.....	10

Abbreviations

CAREER	Faculty Early Career Development
CSU or University	Colorado State University
GRFP	Graduate Research Fellowship Program
OMB	Office of Management and Budget
PAPPG	Proposal and Award Policies and Procedures Guide
PAR	Personnel Activity Report
PI	Principal Investigator
University	Colorado State University



**PERFORMANCE AUDIT REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS FOR THE COMPLETION OF THE COST INCURRED AUDIT
OF THE COLORADO STATE UNIVERSITY**

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We have audited the Colorado State University's (the University, or CSU) compliance with the financial and administrative terms and conditions of the grant award agreements. The applicable rules are set forth in Office of Management and Budget (OMB) 2 CFR 200,¹ OMB Circular A-21,² and OMB Circular A-110,³ as well as the National Science Foundation (NSF) Proposal and Award Policies and Procedures Guide (PAPPG, collectively, the Rules). Compliance with the Rules is the responsibility of the University. Management is responsible for compliance with those requirements. Grant Thornton's responsibility is to make a determination regarding the University's compliance with the Rules based on the audit.

Except as discussed in the Objective, Scope, and Methodology below, we conducted this performance audit for the period of October 1, 2012, to September 30, 2015, in accordance with standards applicable to performance audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit included examining, on a test basis, evidence supporting whether the costs charged to NSF were actually incurred, reasonable, allowable, and allocable to NSF grants and correct in amount, as well as performing such other procedures as we considered necessary to make a determination regarding the University's compliance with the Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit does not provide a legal determination on the University's compliance with specified requirements. A performance audit also includes consideration of internal controls over compliance requirements as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we express no such opinion related to the University's internal controls.

¹ *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

² 2 CFR Part 220, *Cost Principles for Educational Institutions*

³ 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*

Objective, Scope, and Methodology

The objective of the audit was to determine whether the costs charged to NSF were actually incurred, allocable, allowable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal financial assistance requirements (e.g. OMB Circulars).

At NSF OIG's request, the University provided detailed transaction data to NSF OIG for all costs charged to NSF awards for the period October 1, 2012, through September 30, 2015. This provided an audit universe of approximately \$97 million, in more than 168,000 transactions. For transaction testing, the OIG judgmentally selected 250 transactions, totaling more than \$3 million, and utilized a data analytics approach to identify potential risk areas. 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 the University and reconciled them with supporting accounting records. After verifying that the population of data was appropriate, the NSF OIG analyzed the data contained in the University's 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 250 transactions for testing. We sent this list to the University and requested documentation to support each transaction. We reviewed the supporting documentation provided by the University 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 the Principal Investigators (PI) and other knowledgeable University 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 the University and the NSF OIG. We assessed the University's and 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 the NSF OIG personnel for review. We also provided the summary of results to University personnel to inform them of each of our findings including circumstances where we did not have any documentation to support the questioned costs.

Background

The National Science Foundation 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." To support this mission, NSF funds research and education opportunities across all fields of science and engineering, primarily through grants and cooperative agreements awarded to more than 2,000 colleges, universities, and other institutions throughout the United States.

The NSF Office of Inspector General provides independent oversight of the agency's programs and operations. Part of NSF OIG's mission is to conduct audits and investigations to prevent and detect fraud, waste, and abuse. In support of this mission, NSF OIG conducts independent and objective audits, investigations, and other reviews to promote the economy, efficiency, and effectiveness of NSF programs and operations, as well as to safeguard their integrity. NSF OIG may also hire a contractor to provide audit services.

NSF provides funds to the Colorado State University for research programs conducted by the University. The Colorado State University, also known as CSU, consists of seven colleges: agriculture and natural resources, arts and sciences, business, education, engineering and applied sciences, health sciences, and law.

NSF OIG hired Grant Thornton LLP to perform a performance audit over the NSF grant funds expended during the period of October 1, 2012, through September 30, 2015.

Results

As identified in Table 1, the results can be classified as follows:

Noncompliance – a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis.

Significant Noncompliance – a significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Material Noncompliance – a material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our audit procedures disclosed a total of \$19,365 of questioned costs due to noncompliance with the grant agreement, cost principles, and/or NSF policies and procedures. We identified the following types of noncompliance during the audit:

- Unallowable costs incurred due to lack of supporting documentation
- Allocation of costs to different awards
- Lack of support – transferring between awards upon expiration

Detailed information relative to these matters are described below. Attachment I presents findings that resulted in both internal control deficiencies and noncompliance with the financial and administrative terms and conditions of the grant award agreements.

Conclusions and recommendations

Based on the test work performed, our audit disclosed that CSU failed to comply with the Rules as set forth in the grant agreement, OMB cost principles, NSF Proposal and Award Policies and Procedures Guide, and/or University Policy. See Table 1 for the classification of the audit findings.

Table 1. Summary of Findings

Finding #	Description	Classification
001	Unallowable costs incurred due to lack of supporting documentation	Noncompliance
002	Allocation of costs to different awards	Noncompliance
003	Lack of support – transferring between awards upon expiration	Noncompliance

Source: Auditors' Summary of Findings



Alexandria, Virginia
February 22, 2019

Attachment I: Detailed Information Relative to Significant Noncompliance (Findings)

Finding #: 001

Unallowable costs incurred due to lack of supporting documentation

We question two transactions, totaling \$10,989, charged to the same NSF award, by the same person, for travel expenses to [REDACTED].

First, we question \$2,307 for a cash advance taken by a participant before a trip to [REDACTED]. The transaction as a participant support cost is allowable, as the cash advance was needed because the participant would not have access to banks or ATMs in [REDACTED]. However, the University did not provide adequate documentation to support the cost.⁴ Specifically, the University did not provide receipts for these participant support payments. Due to there being no original receipts, the \$2,307 in cash advances taken by the participant is a questioned cost.

Second, we question \$8,682 (\$2,776 of which is indirect costs) for travel expenses taken by a participant during a trip to [REDACTED] because the University did not provide adequate documentation to support the cost.⁴ Specifically, the University did not provide receipts that were legible for these participant support payments.

Table 2. Summary of Costs Not in Compliance with University Policy

Description	Award #	Transaction Date	Description	Direct Cost	Indirect Cost	Total
Travel Expenses	[REDACTED]	11/23/2013	Traveller: Employee Destination: [REDACTED] Cash advance for trip to [REDACTED], due lack of ATM's and banks.	\$2,307	\$ -	\$ 2,307
Travel Expenses	[REDACTED]	11/23/2013	Traveller: Employee Destination: [REDACTED] Unable to read receipts from the traveller.	\$5,906	\$2,776	\$ 8,682
TOTAL				<u>\$8,213</u>	<u>\$2,776</u>	<u>\$10,989</u>

Source: Field Summary Report - GT

The University has policies and procedures in place to ensure that documentation provided or retained to support costs charged to Federal awards is sufficient to support the allowability of the sampled expenses, but better enforcement is necessary. A breakdown in controls led to unsupported costs being approved. As a result, the University charged NSF awards for expenses that it was unable to adequately support as allowable.

Recommendations

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

1. Resolve the \$10,989 in questioned costs, including \$10,989 in unsupported costs, and direct CSU to repay or otherwise remove the sustained questioned costs from its NSF awards.

⁴ 2 CFR Part 220, Appendix A, Section A.2.e states: "The accounting practices of individual colleges and universities must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to sponsored agreements."

2. Direct CSU to strengthen its policies and procedures to ensure acceptable documentation is available and reviewed for all charges to the grant and that this documentation be retained and available in accordance with applicable requirements.

Management's Response:

CSU disagrees with these questioned costs on two travel expenses totaling \$10,989. Although CSU acknowledged that university procedures were not strictly followed in providing original receipts, it indicated receipts were available at the University [REDACTED] where the PI inadvertently left them behind at the conclusion of the research travel, and scanned copies were sent back to CSU. CSU stated that it is not unusual for receipts from foreign countries to be presented in the language of that country and universities to rely on the PI to notate costs. An institutional review was conducted at the time that these expenses were approved, and a determination was made that the travel expenses totaling \$10,989 incurred by the traveler were reasonable and related to the project charged. CSU contends that the travel costs in question were budgeted in the proposal and were reasonable, allowable, and allocable.

The University in their response understood that some of the cost were found unreasonable due to the supporting documentation being deemed insufficient. The University also noted that in November 2013, it updated the travel procedures to ensure acceptable documentation is available and retained.

Auditors' Additional Comments:

The audit team acknowledges that support was provided in the local country's language; however, the cause of the finding was that the scanned documents were unclear and unreadable, not due to them being in the origin country's language. In addition, some receipts contained handwritten notes describing the expenditures, which we do not consider to be acceptable documentation. As such, the finding remains unchanged.

Finding #: 002**Improper allocation of costs to awards**

We questioned \$2,376 in travel expenses charged to award # [REDACTED]. CSU charged this travel to an award that is different from the award supported by the traveller's payroll records. Both awards had the same PI, and both included a trip to [REDACTED] in the budget. Since payroll records are the official documentation of employees' activities, award-related travel should match the payroll records showing the project(s) on which the employees were working. By the same logic, if an employee is working on two or more awards, then the travel and payroll charges should be split between them based on the relative benefit of the travel to each award.⁵ An exception was noted due to one award being charged for travel expenses, while the other award was charged for payroll expenses. This resulted in the entire travel expense of \$2,376 charged to award # [REDACTED] being questioned.

⁵ 2 CFR Part 220, Appendix A, sections C.2 and C.4.a

Recommendations

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

1. Resolve the \$2,376 in questioned costs, including \$2,376 in unsupported costs, and direct CSU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct CSU to strengthen policies relating to internal review of travel charges, which are made by people that are on the payroll report for the award being charged.
3. Direct CSU to strengthen its policies and procedures to ensure documentation is maintained to support allocation of costs incurred when employees are included on multiple awards.

Management's Response:

CSU disagrees with these questioned costs on travel expenses of \$2,376 because the travel was charged to one award while the payroll charges for the student in question were charged to another award. Both awards have the same PI, whom CSU believes allocated these costs to the appropriate projects.⁶

CSU noted that the award the travel is charged to is for the project Catalyzing New International Collaborations under Program Solicitation NSF 11-508. Section V.A.4 of the solicitation specifically states, "Salary and stipend support, as well as major equipment costs will only be allowed in exceptional cases." Therefore, CSU only budgeted and spent against the award for travel and travel related supply costs.

NSF 11-690, the Faculty Early Career Development (CAREER) Program, states that funds for participant support may not be diverted to other categories of expense without prior approval.

The student's salary was charged to the PI's CAREER award [REDACTED], although the individual's travel was on the related award. As related projects but different solicitation types, CSU maintains the costs were appropriately allocated. PIs have a responsibility to allocate salaries to the appropriate projects. CSU is convinced that the PI appropriately allocated the charges to the correct awards.

Although both awards included travel to [REDACTED] in the budget, the statement that payroll records are the official documentation of an employee's activities is inaccurate in the university setting where activities are based on effort through the whole year, not on a single payroll period.

In addition, OMB Circular A-21 C.4.a states that a cost is allocable to a particular cost objective (i.e. a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits relationships. These charges meet that test.

Auditors' Additional Comments:

The audit team noted that the University was unable to provide clear support that it was appropriate to record travel expense to one award and salary expense to a different award during the same period of time. As a result, the finding remains unchanged.

⁶ The amount of \$2,993 was incorrectly stated in the discussion draft report and was responded to in the Management Response from CSU. This amount was corrected in the final report to \$2,376.

Finding #: 003**Lack of support – transferring between awards upon expiration**

We found one deficiency in regards to awards # [REDACTED] and # [REDACTED], where there was \$6,000 related to education costs for 21 program participants transferred between awards. According to CSU, the awards are related (both are titled Graduate Research Fellowship Program) and run sequentially. The \$6,000 in question was incurred on the expired award and then transferred to the new award. Per NSF policy, the charges should not have been transferred from the expired award to the new award when the work was performed during the expired award period.

Recommendations

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

1. Resolve the \$6,000 in questioned costs, and direct CSU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct CSU to strengthen procedures relating to internal review of transfers between awards, especially between expired and active awards.

Management's Response:

CSU emphatically disagrees with the questioned cost of \$6,000 related to moving education costs on a Graduate Research Fellowship Program (GRFP) between the first award and the second award. CSU stated that the NSF policy that is cited in the audit report as evidence of noncompliance is for research awards, not this Fellowship Program.

The awarding document stated that [REDACTED] dates February 1, 2008, to January 31, 2013. CSU noted the award also states that "Funds from prior year grants may be used to support any NSF Graduate Fellow duly enrolled at a fellowship institution. GRFP [REDACTED] should have been effective on February 1, 2013, but was delayed by NSF. Therefore, the award was not effective until April 1, 2013, with no overlap between the two awards. The awarding document states that "Funds from this award and/or any amendments to this award are expected to be fully expended in support of the GRFP Fellows prior to expending funds from any newly issued GRFP award." Per these terms, CSU spent all of the funds on [REDACTED] prior to using funding on [REDACTED]. CSU indicated that the amounts were moved within the 90-day pre-award costs allowed under expanded authorities.

The GRFP is not a research award: a fellow may be entered at any time during a semester and expenditures are allowable during that semester, regardless of when in the semester the charge takes place. The \$6,000 were to support fellows during the winter-spring semesters of 2013.

Auditors' Additional Comment

Through the review of the awards and expenditures, we acknowledge the language included in the awards regarding transferring funds to new awards. However, based on our understanding of NSF Policy, the funds on the expired award need to be fully expended, and there are additional processes/approvals that are required prior to a transfer taking place, which were not evident from the documents provided by the University. As a result, the finding remains unchanged.

Attachment II: Questioned Costs by Findings

National Science Foundation
Performance Audit of Costs Claimed on NSF Awards
Colorado State University
Schedule of Questioned Costs by Finding

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Unallowable costs incurred due to lack of supporting documentation	\$10,989	\$ 0	\$10,989
2	Allocation of costs to award	2,376	0	2,376
3	Transferring between awards upon expiration	0	6,000	6,000
Total		<u>\$13,365</u>	<u>\$6,000</u>	<u>\$19,365</u>

Attachment III: Colorado State University Responses



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December 10, 2018

Christopher J. Pentin
Audit - Senior Manager
Grant Thornton LLP
333 John Carlye Street
Alexandria, VA 22314-5745

RE: Draft Audit of Incurred Costs for National Science Foundation Awards for Period from
October 1, 2012, to September 30, 2015

Dear Mr. Pentin,

Attached please find CSU's responses to the subject draft audit report, as was discussed in our
conference call of Wednesday the 28th of November.

Please feel free to contact me at [REDACTED]@colostate.edu or by phone at 970-491-[REDACTED] should
you have any questions in this regard.

Sincerely,

[REDACTED]
David B. Doty
Associate Director

Enc

Cc: Christa Johnson, Associate V.P. for Research
David Ryan, Controller
Diane Barrett, Director Office of Sponsored Programs
File

CSU Response to
Draft Audit of Incurred Costs for National Science Foundation Awards
Period from October 1, 2012, to September 30, 2015

Summary

CSU is pleased to respond to this draft audit report that encompassed \$97 Million in costs from 168,000 transactions during the 3 year period of October 2012 through September 2015. After review of a judgmental selection of 250 transactions and \$3 million in costs, this data analytic audit produced only four questionable transactions resulting in less than \$20,000 in direct and indirect costs. This is ample evidence of an institutional system of robust internal controls and we believe that everyone can agree that there were no systemic findings resulting from this audit.

In reviewing this report that has largely confirmed the strength of CSU programs and the collaborative nature of faculty and administrators, we acknowledge that this audit has offered us an excellent opportunity to review our internal controls and further strengthen our research administration processes. Since the audit began, we have adopted a new travel system, a new project-based effort reporting system, and a new proposal development system. We are committed to continuous improvement in our management and oversight of all sponsored projects.

Further, we believe that the draft audit findings from the questioned costs from travel documentation and allocation of those costs, as well as the allocation of Graduate Fellowship costs were processed within the policies and procedures of our institution and are allowable, allocable and reasonable. In the case of the costs for the Graduate Fellowships, we believe that the audit firm has misunderstood the nature of the Graduate Fellowship Program. Our responses to the individual questionable transactions are below.

Finding #:001

Unallowable costs incurred due to lack of supporting documentation (2 transactions)

CSU disagrees with these questioned costs on two travel expenses totaling \$10,989. While we acknowledge that university procedures were not strictly followed in providing original receipts, the receipts were available at the University [REDACTED] where the PI inadvertently left them behind at the conclusion of the research travel and scanned copies were sent back to CSU. It is not unusual for receipts from foreign countries to be presented in the language of that country and universities to rely on the PI to notate

costs. An institutional review was conducted at the time that these expenses were approved and a determination was made that the travel expenses totaling \$10,989 incurred by the traveler were reasonable and related the project charged. CSU contends that the travel costs in question were budgeted in the proposal and were reasonable, allowable and allocable.

However, since the documentation was deemed insufficient, CSU understands that some of these cost may not be found reasonable at this time since some of the receipts are not legible. It should also be noted that since these transactions were posted in November 2013, the University has updated the travel procedures to ensure acceptable documentation is available and retained.

Finding #:002

Allocation of costs to awards

CSU disagrees with these questioned costs on travel expenses of \$2,993 because the travel was charged to one award while the payroll charges for the student in question were charged to another award. As accurately stated in the audit report, both awards have the same PI, who we believe allocated these costs to the appropriate projects.

The award that the travel is charged to is for the project Catalyzing New International Collaborations under Program Solicitation NSF 11-508. Section V.A.4. of the solicitation specifically states, "Salary and stipend support, as well as major equipment costs, will only be allowed in exceptional cases". Therefore, CSU only budgeted and spent against the award for travel and travel related supply costs.

NSF11-690, the Faculty Early Career Development (CAREER) Program, states that funds for participant support may not be diverted to other categories of expense without prior approval.

The student's salary was charged to the PI's CAREER award [REDACTED] although [REDACTED] travel was on the related award. As related projects but different solicitation types, the costs were appropriately allocated. PIs have a responsibility to allocate salaries to the appropriate projects. We are convinced that the PI appropriately allocated the charges to the correct awards.

Although both awards included travel to [REDACTED] in the budget, the statement that payroll records are the official documentation of an employee's activities is inaccurate in the university setting where activities are based on effort throughout the whole year, not on a single payroll period.

In addition, OMB Circular A-21 C.4.a states that a cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost

objective in accordance with relative benefits received or other equitable relationships. These charges meet that test.

Finding #:003

Lack of support-transferring between awards upon expiration

CSU emphatically disagrees with the questioned cost of \$6,000 related to moving education costs on a Graduate Research Fellowship Program (GRFP) between the first award () and the second award (). The NSF policy that is cited in the audit report as evidence of noncompliance is for research awards, not this Fellowship Program.

The awarding document stated that dates are February 1, 2008 to January 31, 2013. The award also states that 'Funds from prior year grants may be used to support any NSF Graduate Fellow duly enrolled at a fellowship institution.'

GRFP should have been effective on February 1, 2013, but was delayed by NSF. Therefore, the award was not effective until April 1, 2013, with no overlap between the two awards. The awarding document states that 'Funds from this award and/or any amendments to this award are expected to be fully expended in support of the GRFP Fellows prior to expending funds from any newly issued GRFP award.' Per these terms, CSU spent all of the funds on prior to using funding on . The charges were moved within the 90-day preaward costs allowed under expanded authorities.

The GRFP is not a research award: a fellow may be entered at any time during a semester and expenditures are allowable during that semester, regardless of when in the semester the charge takes place. The \$6,000 were to support fellows during the winter-spring semesters of 2013.



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