

Performance Audit of Incurred Costs – University of Texas at Austin

REPORT PREPARED BY WITHUMSMITH+BROWN, P.C.

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

April 29, 2019
OIG 19-1-012





AT A GLANCE

Performance Audit of Incurred Costs – University of Texas at Austin
Report No. OIG 19-1-012
April 29, 2019

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged WithumSmith+Brown, P.C. (WSB) to conduct a performance audit of incurred costs at the University of Texas at Austin (UT Austin) for the period December 1, 2013, to November 30, 2016. The auditors tested more than \$12.6 million of the \$226 million of costs claimed to NSF. The objective of the audit was to determine if costs claimed by UT Austin 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 UT Austin's compliance with certain Federal, NSF, and/or UT Austin regulations and policies when allocating expenses to NSF awards. The auditors questioned \$283,613 of costs claimed by UT Austin during the audit period. Specifically, the auditors found \$63,174 of unreasonable transactions, \$58,556 of purchases near the award expiration, \$58,209 of unallocable costs, \$42,947 of costs with inadequate documentation, \$25,767 of unallowable indirect costs, \$15,604 of unreasonable travel costs, \$10,505 of unallowable moving and relocation costs, \$6,947 of unallowable Visa costs, \$1,139 of unallowable promotional items, and \$765 of underspent participant support. WSB 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 WSB's audit report.

RECOMMENDATIONS

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

AUDITEE RESPONSE

UT Austin agreed with nine of the ten findings in the report. UT Austin's response is attached to the report in its entirety as Appendix A.

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



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

MEMORANDUM

DATE: April 29, 2019

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: Audit Report No. 19-1-012, University of Texas at Austin

This memo transmits the WithumSmith+Brown, P.C. (WSB) report for the audit of costs charged by the University of Texas at Austin (UT Austin) to its sponsored agreements with the National Science Foundation during the period December 1, 2013, to November 30, 2016. The audit encompassed more than \$12.6 million of the \$226 million claimed to NSF during the period. The objective of the audit was to determine if costs claimed by UT Austin 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 the Audit

WSB 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 WSB's audit report. To fulfill our responsibilities, we:

- reviewed WSB'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 WSB, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by WSB; 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 Darrell Drake at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

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University of Texas at Austin

Audit of Incurred Costs

National Science Foundation Office of Inspector General

April 19, 2019

OIG 19-1-012

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Abbreviations

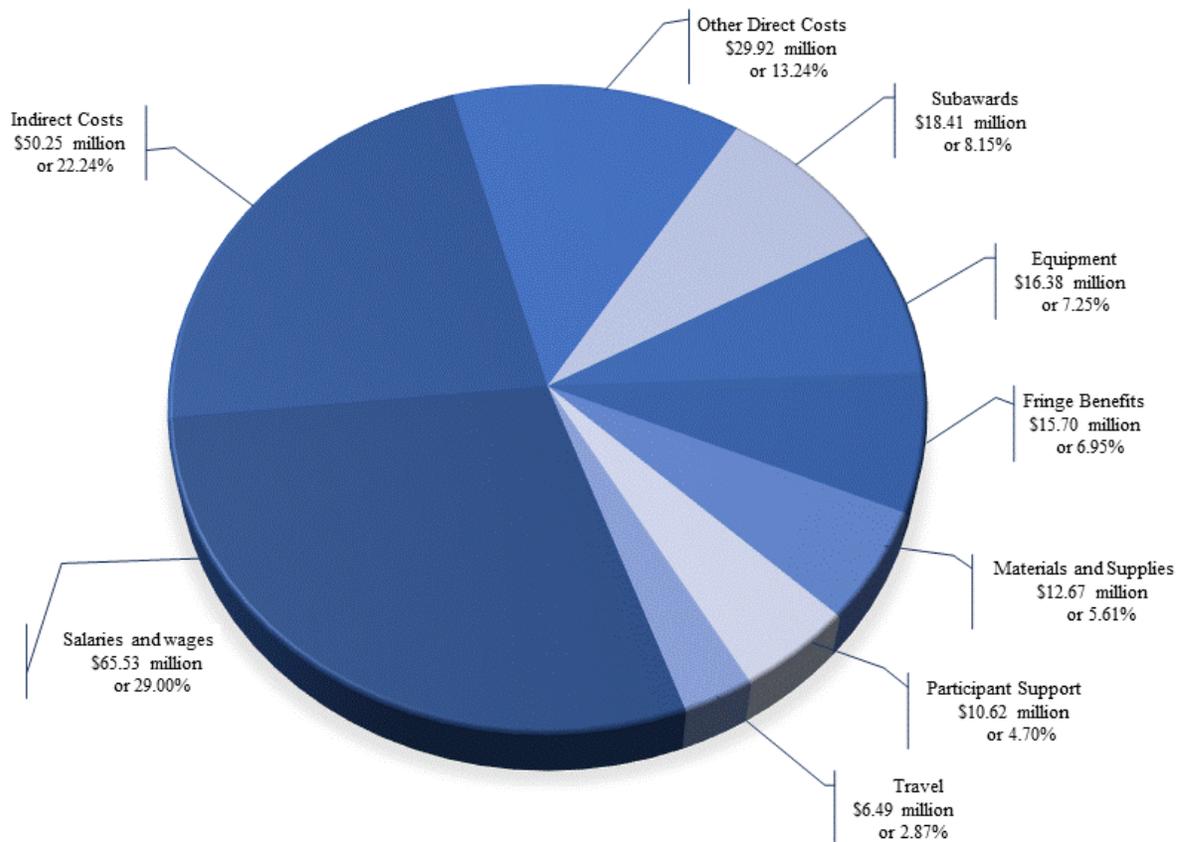
AAG	Award and Administration Guide
DIAS	Division of Institution and Award Support
F&A	Facilities and Administrative (costs)
GPG	Grant Proposal Guide
PI	Principal Investigator
UT Austin	University of Texas at Austin

Background

The National Science Foundation (NSF) is an independent Federal agency created “to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense.”¹ NSF is also committed to ensuring an adequate supply of the Nation’s scientists, engineers, and science educators. NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions in all parts of the United States.

NSF awardees must follow Federal and NSF award regulations and guidance in administering NSF awards. The University of Texas at Austin (UT Austin), a public institution, received approximately 6,237 externally sponsored projects totaling \$589,245,496 for Fiscal Year 2016-17. As illustrated in Figure 1, between December 1, 2013, and November 30, 2016, UT Austin claimed approximately \$226 million of costs across 929 NSF awards. See Figure 1 for an analysis of these costs claimed by budget category, based on the accounting data provided by UT Austin.

Figure 1. Costs Claimed by NSF Budget Category, December 1, 2013, to November 30, 2016



Source: Auditor summary of accounting data provided by UT Austin

¹ Pub. L. No. 81-507

Results of Audit

WithumSmith+Brown, under contract with NSF OIG, audited the costs claimed by UT Austin on NSF awards for the period beginning December 1, 2013, and ending November 30, 2016. In our testing of 277 judgmentally selected transactions, we identified 51 transactions totaling \$283,613 of questioned costs charged to 40 NSF awards. Ten areas where improved oversight is needed to ensure costs claimed are reasonable and necessary in accordance with Federal and NSF award requirements include: 1) \$63,174 in unreasonable transactions; 2) \$58,556 in purchases near the award expirations; 3) \$58,209 in unallocable costs; 4) \$42,947 in inadequate documentation; 5) \$25,767 in unallowable indirect costs; 6) \$15,604 in unreasonable travel; 7) \$10,505 in unallowable moving and relocation costs; 8) \$6,947 in unallocable visa costs; 9) \$1,139 in unallowable promotional items; and 10) \$765 in underspent participant support. See Appendix C for a schedule of questioned costs by award.

Finding 1: Unreasonable Transactions

We identified four transactions, charged to three awards, totaling \$63,174, that were unreasonable or unallocable² on the NSF awards charged as described in Table 1.

Table 1. Summary of Unreasonable Transactions

Description	Invoice Amount	F&A	Total Questioned
1. Computer Equipment	52,619	--	52,619
2. Three MacBook Air Computers	3,747	1,948	5,695
3. iMac and iPad	3,240	1,620	4,860
Total	\$ 59,606	\$ 3,568	\$ 63,174

Source: Auditor analysis of questioned transactions

The questioned items include:

1. Computer Equipment – \$52,619 for the purchase of computer equipment. The revised NSF award budget did not include equipment and contained only \$6,000 for materials and supplies. Per the original NSF award budget justification, “[t]he requested funds are entirely for the support of personnel.” The computer purchases represented 9 percent of the cumulative NSF award budget. The computer equipment was purchased in February and March 2014, after a no-cost extension was submitted on May 28, 2013, revising the award expiration date to August 31, 2014. The extension made no mention of the need or plan to

² 2 CFR Part 220, Appendix A, C.2. and C.3, state that costs “must be reasonable; they must be allocable to sponsored agreements.... A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement....”

purchase \$52,619 of computer equipment. The equipment was available for 13 percent of the award period (200 out of 1,460 days).

2. Three MacBook Air Computers – \$5,695 for the purchase of three MacBook Air computers. The invoice was dated August 30, 2013. The cost of the computers was transferred from a UT Austin designated fund to the NSF award on January 28, 2014, 5 months after the original purchase date and 1 month after the NSF award expired on December 31, 2013. UT Austin stated that the department review of Fall 2013 expenses indicated that these charges were appropriate to the scope of this NSF award, so the department staff processed a correction on January 28, 2014. However, no support³ or explanation was given for how it was determined that the computers should be charged to the NSF award if they were used exclusively on the NSF award and how they were necessary and benefitted the NSF award.
3. iMac and iPad – \$4,860 for the purchase of an iMac and an iPad on February 10, 2014, on a 6-year award that expired on April 30, 2014. The iMac and iPad were available for less than 4 percent of the grant life (79 out of 2,175 days). Additionally, UT Austin stated that, “the iMac was used for this project and others and the iPad was used for lab management as well as this project.” Per the *NSF Award and Administration Guide* (AAG), general-purpose equipment is normally unallowable unless the equipment is exclusively used in the actual conduct of research.⁴ UT Austin stated that the computers were not used exclusively on this NSF award; therefore, the purchase is unreasonable and unallocable.

UT Austin did not adequately review the expenditures, which resulted in unallowable costs. Enhanced oversight procedures should be adopted to strengthen existing processes and controls to review expenditures to minimize unreasonable and unallocable costs. Having improved oversight processes ensures the reallocation of expenses in accordance with Federal and NSF requirements to help guarantee that costs are reasonable and allocable in accordance with NSF and Federal requirements.

Recommendations

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

1. Resolve the \$63,174 of questioned costs and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen training, policies and procedures to ensure the proper review of expenditures charged to Federal awards.

³ 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.”

⁴ *NSF Award & Administration Guide* (AAG), 08-1, Chapter V, B.2.d

Awardee Response

UT Austin does not concur with \$52,619 of the finding's questioned costs. Per UT Austin, the PI was acting with the understanding that the computer equipment purchased was approved by the NSF Program Director. Additionally, per the PI's retroactive assessment, the equipment was estimated to have been used approximately 90 percent for this NSF award.

UT Austin did concur with the remaining \$10,555 of questioned costs for the MacBook Air computers, iMac, and iPad purchases. In response, UT Austin will strengthen their training and modify their internal controls and procedures. These modifications will include an enhanced review of the allocation of expenses incurred on Federal awards, while emphasizing the review of expenditures charged near the end of the award lifecycle.

See Appendix A for the complete UT Austin response.

Auditor's Additional Comments

Our position remains unchanged concerning the \$52,619 of computer equipment purchased. The need for the equipment was not included in either the proposal budget justification or the award extension. Furthermore, the computer equipment, with a multiple year useful life, was purchased with only 200 days remaining in the award lifecycle. For the remaining \$10,555, UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$63,174 in questioned costs have been returned, this finding should be closed.

Finding 2: Purchases Near the Award Expiration

We found UT Austin made purchases near the end of award periods for items that did not appear reasonable or necessary to the awards charged.

Materials Purchased and Received at the End of the Award

We identified 17 transactions, charged to 11 awards, totaling \$58,556 for the purchase of various materials and supplies near the end of the award that did not appear reasonable, necessary or provide benefit to the NSF awards charged, as shown in Table 2.

Table 2. Questioned Transactions Near the Award Expiration

Description	Invoice Amount	F&A	Total Questioned	Days Remaining in Award
1. Repair of vacuum pumps	\$ 4,975	\$ 2,686	\$ 7,661	13
2. Consumable lab supplies	4,332	1,993	6,325	3
3. Field maps	3,808	1,980	5,788	1

Description	Invoice Amount	F&A	Total Questioned	Days Remaining in Award
4. Replacement tubing	3,250	1,690	4,940	15
5. Chemicals	3,040	1,642	4,682	(7)
6. Platinum pellets	2,870	1,550	4,420	12
7. Optical mounting hardware	2,457	1,327	3,784	5
8. Cameras	1,991	1,074	3,065	2
9. Pneumatic micro injector	1,650	883	2,533	0
10. Portable meters	1,565	845	2,410	18
11. Single crystal substrate	1,513	817	2,330	3
12. Reagents	1,432	766	2,198	6
13. Handheld fluorometer	1,224	661	1,885	13
14. HP Ultrabook	1,218	658	1,876	12
15. Consumable lab supplies	1,148	620	1,768	19
16. Consumable lab supplies	1,044	543	1,587	23
17. Consumable lab supplies	1,304	--	1,304	8
Total	\$ 38,821	\$ 19,735	\$ 58,556	

Source: Auditor analysis of questioned transactions

The items were charged 100 percent to the NSF award, when the award received little, if any, benefit. The timing of the purchases, and subsequent receipt of the items, leads us to conclude that the purchases were not necessary, reasonable, or prudent for the administration of the award.⁵ The questioned items include:

1. Repair of vacuum pumps – \$7,661 for the repair of 7 vacuum pumps, completed on August 18, 2015, on an award that expired August 31, 2015. The repaired vacuum pumps were available for 1 percent of the award period (13 out of 1,095 days).
2. Consumable lab supplies – \$6,325 for the purchase of consumable lab supplies that were received on August 28, 2015, on an award that expired August 31, 2015. The lab supplies were available for 0.3 percent of the award period (3 out of 883 days).
3. Field maps – \$5,788 for the purchase of field maps, received on September 30, 2014, the same day as the award expiration (1 out of 1,460 days).
4. Replacement tubing – \$4,940 for replacement tubing received on February 13, 2014, on an award that expired February 28, 2014. The replacement tubing was available for 1 percent of the award period (15 out of 1,445 days).

⁵ 2 CFR Part 220, Appendix A, C.2. and C.3 state that costs “must be reasonable; they must be allocable to sponsored agreements.... A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement....”

5. Chemicals – \$4,682 for the purchase of chemicals received on July 7, 2015, 7 days after the NSF award expired on June 30, 2015. The chemicals were not used on the NSF award and provided no benefit.
6. Platinum pellets – \$4,420 for the purchase of materials received on August 19, 2015, on an award that expired August 31, 2015. The materials were available for 1 percent of the award period (12 out of 1,095 days). Per UT Austin, the materials were not used exclusively on the NSF award.
7. Optical mounting hardware – \$3,784 for the purchase of optical mounting hardware received on August 26, 2016, on an award that expired August 31, 2016. The hardware was received with 0.5 percent of the award period remaining (5 out of 1,095 days).
8. Cameras – \$3,065 for the purchase of two charge-coupled device cameras and associated hardware received on August 29, 2016, on an award that expired August 31, 2016. The hardware was shipped with 0.2 percent of the award period remaining (2 out of 1,095 days). Additionally, UT Austin only provided the quotation for the purchase, not the actual invoice.
9. Pneumatic micro injector – \$2,533 for the purchase of a pneumatic micro injector received in May 2015, on an award that expired April 30, 2015. The instrument was received after the award expiration and therefore could not benefit this award (0 out of 1,460 days).
10. Portable meters – \$2,410 for the purchase of a portable refractometer and a portable meter shipped on August 12 and August 18, 2015, on an award that expired August 31, 2015. The items shipped with 1 percent of the award period remaining (13 to 19 out of 1,460 days).
11. Single crystal substrate – \$2,330 for materials received on August 28, 2015, on an award that expired August 31, 2015. The materials were available for 0.3 percent of the award period (3 out of 1,095 days).
12. Reagents – \$2,198 for the purchase of reagents shipped on August 25, 2015, on an award that expired August 31, 2015. The reagents were available for 0.4 percent of the award period (6 out of 1,460 days).
13. Handheld fluorometer – \$1,885 for the purchase of a handheld fluorometer shipped on August 18, 2015, on an award that expired August 31, 2015. The purchase was shipped with 0.9 percent of the award period remaining (13 out of 1,460 days).
14. HP Ultrabook – \$1,876 for the purchase of an HP Ultrabook on April 4, 2014, with an estimated ship date of April 18, 2014, on an award that expired April 30, 2014. If the computer was shipped and received on April 18, the computer would have been available for 2 percent of the award period (12 out of 730 days).

15. Consumable lab supplies – \$1,768 for the purchase of consumable lab supplies invoiced on August 12, 2015, on a 4-year award that expired August 31, 2015. The supplies were invoiced with 1.3 percent of the award period remaining (19 out of 1,460 days).
16. Consumable lab supplies – \$1,587 for consumable lab supplies, purchased between September 7-12, 2016, on an award that expired September 30, 2016. The supplies were invoiced with less than 0.9 percent of the award period remaining (23 out of 2,450 days).
17. Consumable lab supplies – \$1,304 for the purchase of photodiodes received on September 22, 2014, on an award that expired September 30, 2014. The photodiodes were available for 0.5 percent of the award period (8 out of 1,460 days).

UT Austin personnel did not adequately review the above questioned material and supply expenditures, which resulted in unreasonable costs. Enhanced oversight procedures and controls should be adopted to review expenditures charged near the end of the award period. Having improved oversight processes ensures costs are reasonable and allowable, thus reducing the risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal and NSF requirements.

UT Austin has agreed to remove \$58,556 in unreasonable costs from the awards in question. During the audit resolution process, NSF should ensure that the awards have been credited as appropriate.

Recommendations

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

1. Resolve the \$58,556 of questioned costs and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen training, policies, and procedures to ensure the proper review of expenditures charged to Federal awards, especially the proper review of materials and supplies purchased near the award expiration.

Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will strengthen their training and modify their internal controls and procedures. These modifications will include an enhanced review of the allocation of expenses incurred on Federal awards, while emphasizing the review of expenditures charged near the end of the award lifecycle.

See Appendix A for the complete UT Austin response.

Auditor's Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$58,556 in questioned costs have been returned, this finding should be closed.

Finding 3: Unallocable Costs

We identified several instances of noncompliance with Federal requirements⁶ related to costs that did not appear to be allocable to the awards charged.

Specifically, we questioned \$58,209 in equipment purchases, conference costs, microscopy expenditures, and software charged to six NSF awards that were unallocable to the awards charged.

- \$24,995 for the purchase of a [REDACTED]. The equipment was received on October 23, [REDACTED], on a 7-year award that expired January 31, [REDACTED]. The equipment was available for 4 percent of the grant life (100 out of 2,555 days). UT Austin stated that the equipment was not used exclusively on this NSF award; however, 100 percent of the cost of the equipment was charged to the NSF award. It is not reasonable that UT Austin would charge 100 percent of the cost of the equipment to the NSF award with only 4 percent of the grant life remaining, when it was not used exclusively on the award. Additionally, the NSF award was on its second no-cost extension when the equipment was purchased. The second no-cost extension did not mention the need or plans to purchase the \$24,995 piece of equipment.
- \$10,850 for a [REDACTED]. The [REDACTED] was defective when received. UT Austin returned the equipment and requested a vendor refund. To date, the university has not received the refund; therefore, it has not refunded NSF for the purchase price of the unusable [REDACTED]. No benefit was received for this purchase, and the entire purchase price is questioned.
- \$9,483 for the purchase of lab equipment. The total equipment cost was \$28,450, and the cost was split equally among three awards: the NSF award, a [REDACTED] award, and a [REDACTED] award. The NSF award did not include equipment in the budget. Per the Principal Investigator (PI), "[REDACTED] equipment is quite expensive, and was not included in the original budget simply because the regular size of an NSF single-PI grant would not allow the purchase of this equipment, and at the same time the support of the required personnel. Luckily, after receiving this grant, we received other grants from NSF and [REDACTED], and we were able to purchase [REDACTED] equipment, instrumental to all these efforts, by splitting the costs

⁶ 2 CFR Part 220, Appendix A, C.4.a states: "A cost is allocable to a particular cost objective...if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received..." Additionally, 2 CFR §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."

among these different accounts.” UT Austin did not provide any documentation to support the allocation methodology.⁷

- \$6,006 in [REDACTED] charges that were transferred onto the NSF award without proper supporting documentation. Per the PI, the billing for the June and August 2015 [REDACTED] charges included some overlap with several other projects; however, the documentation provided does not support the transfer. Furthermore, the transfers were made in October 2015 and after this award expired in September 2015. The documentation provided did not support the claim of the benefit received; therefore, the entire transfer amount is questioned.
- \$3,000 for catering charges that were transferred from a university designated fund onto the NSF award. The total cost of the catering event was \$7,212; thus 41.59 percent of the cost was transferred to the NSF award. The event occurred on April 30, 2014, and the costs were transferred onto the NSF award 54 days before the award expired. When asked about the methodology for allocating the catering costs, UT Austin explained that the [REDACTED] Director believed around 25 percent of the attendees at the event were [REDACTED] students. However, for the dinner buffet for 150 people, no documentation was provided to support the allocability of the costs for an estimated 37 attendees’ to this NSF award. Therefore, due to the lack of appropriate documentation to support the attendance of the [REDACTED] students, and the lack of support for the percentage of the costs charged to the award, we question the entire amount moved onto this NSF award.
- \$3,875 for the purchase of software on August 4, 2014, on an award that expired on September 30, 2014. Per the PI, [REDACTED]

[REDACTED]

The [REDACTED] funded project is still ongoing. In August 2014, [REDACTED]

[REDACTED]

To set up a server that could do this work required purchasing both the server and the statistical software that would run on the server....Since the server and software were going to be used for both projects and since it also seemed consistent with the expected use of the resources by each project, we charged the cost of the server (\$2,855) to [REDACTED] and the cost of the software (\$3,075) to NSF.

The PI purchased the software to be used on two projects, the NSF award and a non-Federal award. The NSF award expired on September 30, 2014, and the non-Federal award is still ongoing. Charging the software to the NSF award does not appear to be reasonable based on the time remaining on the NSF award.

⁷ 2 CFR Part 220, Appendix A, C.2 states: “The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances....”

UT Austin personnel did not adequately review the expenditures charged to the NSF awards, which resulted in unallocable costs. Without a process to ensure costs are allocable, there is increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal and NSF requirements.

Recommendations

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

1. Resolve the \$58,209 of questioned costs and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, processes, and procedures over ensuring costs are allocable to the awards charged.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will develop training focused on the allowability versus the allocability of expenditures on Federal awards.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$58,209 in questioned costs have been returned, this finding should be closed.

Finding 4: Inadequate Documentation

We identified \$42,947 of costs charged to five awards that were not adequately supported and therefore not in compliance with Federal requirements.

For five transactions selected, UT Austin was unable to provide the documentation necessary to support the expenditures, resulting in \$42,947 of questioned costs. Supporting documentation is required to be maintained and available per Federal regulations.

Per UT Austin policies, financial records consist of all documentation "received in the course of procuring or paying for goods and services...All master financial records must be retained by the university."⁸ According to Federal requirements, financial records, supporting documents,

⁸ University of Texas at Austin, Financial and Administrative Services, Handbook of Business Procedures Part 20.3.3 states: "Financial records of The University of Texas at Austin are records created or received in the course of procuring or paying for goods and services, as well as records related to account reconciliation, budget, and inventory business processes. Departments share responsibility with Records Management Services...to ensure the integrity, accuracy, and completeness of university financial records."

statistical records, and all other records pertinent to an award shall be retained for a period of 3 years from the date of submission of the final expenditure report. One exception is if an audit is started before the expiration of the 3-year period, then the records shall be retained until all claims or audit findings involving the records have been resolved and final action taken.⁹ We question the following transactions due to the lack of adequate documentation.

Table 3. Description of Questioned Transaction Due to Inadequate Documentation

Description	Total Questioned*	Award Expiration Date	Date UT Austin was Notified of Audit	Retention Period End Date
Documentation provided does not support transactions selected:				
Journal Entry Moving Materials and Supplies	\$ 14,390	04/30/2017	12/06/2016	05/01/2020
Materials and Supplies	10,294	08/31/2017	12/06/2016	09/01/2020
Materials and Supplies	9,358	03/31/2018	12/06/2016	04/01/2021
Subtotal	34,042			
Documentation provided was missing supporting invoice:				
Photographs for Reporting	5,292	██████/2014	12/06/2016	Once the audit findings have been resolved and final action has been taken
Anode Tube for X-Ray	3,613	08/31/2016	12/06/2016	09/01/2019
Subtotal	8,905			
Total	\$ 42,947			

Source: Auditor analysis of questioned transactions

*Total questioned includes the applicable F&A

Specifically, we questioned \$34,042 for the purchases of the materials and supplies. The invoices provided for audit included multiple line items. UT Austin was unable to identify the specific line items that related to the transactions selected for audit.

⁹ 2 CFR Part 200.333 states: “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...Federal awarding agencies and pass-through entities must not impose any other record retention requirements...” There are limited exceptions to this rule, one of which is “(a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.”

2 CFR Part 215.53(b) states: “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report...” There are limited exceptions to this rule, one of which is “if any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.”

We questioned \$5,292 paid for [REDACTED] photo service, for which UT Austin could not provide adequate support. The only documentation provided was a [REDACTED] receipt; therefore, there was no way to determine exactly what was purchased from the vendor. Per UT Austin, the PI is no longer with the university, and no one in the department office has an account or account access for that vendor to retrieve the purchase information.

We questioned \$3,613 for the purchase of an X-ray tube for which adequate documentation was not provided. UT Austin provided a credit card sales receipt dated July 29, 2016, but did not provide the actual invoice to support this transaction. In addition to the credit card receipt, we were subsequently provided a vendor invoice; however, the invoice was dated July 25, 2017, which was 1 year after the date of the credit card sales receipt.

UT Austin did not retain or provide adequate documentation for audit, which resulted in unallowable costs. Without a process to ensure that documentation is available and accessible in accordance with Federal requirements, there is increased risk that funds may not be used as required to accomplish the necessary project objectives.

Recommendations

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

1. Resolve the \$42,947 of questioned unsupported costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, training, processes, and procedures related to document retention.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will develop training focused on document retention for Federal awards.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$42,947 in questioned costs have been returned, this finding should be closed.

Finding 5: Unallowable Indirect Costs

We questioned \$25,767 in unallowable indirect costs charged to two NSF awards. The indirect costs were assessed against equipment purchases, which is unallowable in accordance with Federal cost principles.

According to the *NSF Grant Proposal Guide* (GPG), 11-1 and 13-1, Chapter II.C.2.g(iii),

Equipment is defined as an item of property that has an acquisition cost of \$5,000 or more (unless the organization has established lower levels) and an expected service life of more than one year. It is important to note that the acquisition cost of equipment includes modifications, attachments, and accessories necessary to make the property usable for the purpose for which it was purchased. Items of needed equipment must be adequately justified, listed individually by description and estimated cost.

According to 2 CFR Part 220, Appendix A, Section G.2,

F&A [facilities and administrative] costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs.

Specifically, we questioned the indirect costs assessed against the following purchases:

- \$18,301 for indirect costs charged on the purchase of software licenses.
- \$ 7,466 for indirect costs charged on the purchase of parts to upgrade existing equipment.

UT Austin personnel incorrectly coded the above transactions as non-inventorial equipment, and, therefore, they were assessed indirect costs. Without an effective process to ensure equipment is excluded from modified total direct costs, there is increased risk that funds may not be spent in accordance with Federal requirements.

UT Austin has agreed to remove \$25,767 in unallowable costs from the awards in question. NSF, during the audit resolution process, should ensure that the awards have been credited as appropriate.

Recommendations

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

1. Resolve the \$25,767 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Strengthen the administrative and management controls and processes for reviewing and approving indirect costs charged to NSF awards.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will develop training to help administrative and management personnel identify the proper coding for equipment purchases to ensure indirect costs are properly allocated.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$25,767 in questioned costs have been returned, this finding should be closed.

Finding 6: Unreasonable Travel

We questioned \$15,604 in travel costs that did not appear reasonable and necessary for the awards charged or were not in compliance with NSF requirements.

Unreasonable and Unallocable Travel

We questioned \$4,338 charged to one NSF award for the PI and [REDACTED] airfare. The PI and [REDACTED] travelled from [REDACTED] to [REDACTED] 2015; the primary destination for the trip was a conference in [REDACTED], where the PI and [REDACTED] presented a research publication. The conference began [REDACTED] 2015 and ended [REDACTED] 2015. The PI and [REDACTED] arrived in [REDACTED] the evening of [REDACTED] 2015, and departed the morning of [REDACTED] 2015; therefore, they only attended 2 days out of the 5 conference days. Prior to arriving in [REDACTED] the PI and [REDACTED] spent personal time in [REDACTED] from [REDACTED] 2015, to [REDACTED] 2015.

UT Austin charged the entire cost of the airfare, including the personal time in [REDACTED], to the NSF award. The portion of the airfare related to the personal time in [REDACTED] is not allocable¹⁰ to the NSF award. The specific cost of the flight to [REDACTED] for personal purposes cannot be ascertained from the documentation provided. Furthermore, UT Austin did not provide documentation to support the price difference between the flight to [REDACTED] and a flight to [REDACTED]. Therefore, we determined the primary purpose to be personal, and question \$4,338 for the entire cost of the airfare.

Additionally, we questioned \$63 for meals charged to one NSF award when the PI was using a personal day. UT Austin agreed that these costs should be removed from the award.

¹⁰ 2 CFR Part 220, Appendix A, C.4 states: "A cost is allocable to a particular cost objective...if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods...is deemed to be assignable in part to sponsored projects."

Unreasonable PI and Co-PI Travel

We questioned \$2,760 charged to one NSF award for a Co-PI's travel expenses to [REDACTED], and [REDACTED], that did not appear necessary, reasonable, or prudent for the administration of the award.¹¹ The travel expenses included in the \$2,760 voucher total are identified in Table 4.

Table 4. Summary of Questioned Travel Expenses

Description	Total Questioned *
Airfare from Austin, TX, to [REDACTED], from [REDACTED] to [REDACTED] 2015	\$ 1,950
Airfare from [REDACTED], to [REDACTED], from [REDACTED], 2015	343
6 days meals per diem [REDACTED] and [REDACTED], 2015	377
Taxi	90
Total Questioned *	\$ 2,760

Source: Auditor analysis of questioned transactions

*Total questioned includes the applicable F&A

The Co-PI stated that [REDACTED] traveled to [REDACTED] which is [REDACTED] only accessible through [REDACTED] [REDACTED]. Per the Co-PI, "This trip combined visiting several colleagues in [REDACTED] and visiting other colleagues from [REDACTED] and the [REDACTED] that were on [REDACTED]." Additionally, the Co-PI stated, "This trip enabled me to visit, share and present NSF-funded results, and learn from a number of different colleagues that are experts in their field. It was a unique opportunity to be able to visit a number of different colleagues with minimal travel, time and expense."

Based on the following we conclude that the travel was not necessary, reasonable, or prudent for the administration of the award:

- We did not receive any documentation to support the meetings with colleagues that occurred in [REDACTED] or [REDACTED] (i.e. with whom the meetings were held, where they occurred, or what was discussed).
- The travel does not appear necessary to complete the objectives of the award.
- The travel does not provide a clear benefit to the award.
- There is no mention of the travel or meetings with colleagues in [REDACTED] or [REDACTED] in the final report.
- The travel was at the end of the NSF award life. The travel ended [REDACTED] 2015, and the award expired on [REDACTED] 2015.
- When the Request for Travel Authorization was filed, discretionary funding was used to support the trip. The Co-PI stated [REDACTED] was not sure at the time that the NSF grant had enough funds to cover the trip, even though the trip was in support of research related to the NSF

¹¹ According to 2 CFR Part 220, Appendix A, Sections C.2 and C.3, costs "must be reasonable; they must be allocable to sponsored agreements.... A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement...."

grant. Later, however, it became clear that the funds on the NSF award were sufficient to cover the expenses for the trip and the costs were transferred to the NSF award on [REDACTED] 2015; the award expired on [REDACTED] 2015.

- The Co-PI took personal days from [REDACTED] 2015, to [REDACTED] 2015.

We questioned \$2,595 charged to one NSF award for a PI's travel expenses to attend a conference in [REDACTED]. Based on the following, we conclude that the travel was not necessary, reasonable, or prudent for the administration of the award.

- The conference dates were [REDACTED] 2014, to [REDACTED] 2014. The PI did not arrive in [REDACTED] until the evening of [REDACTED] 2014; therefore, [REDACTED] only attended 4 days of the 7-day conference.
- Support provided by UT Austin as to why this travel was relevant to the NSF award references a seminar on [REDACTED] from [REDACTED] 2014, to [REDACTED] 2014. The original support provided stated this travel was to attend the [REDACTED] conference on [REDACTED] in [REDACTED], which was held [REDACTED] 2014, to [REDACTED] 2014. The seminar appears unrelated to this travel as it occurred after the travel ended.
- The research paper "[REDACTED]" that the PI presented at the conference was not mentioned in the annual report submitted to NSF.
- The travel was not mentioned in the annual report submitted to NSF.
- The NSF award budget did not include funds for travel. The budget justification states that the PI will apply for travel funding from the funds within the [REDACTED] at UT Austin.
- The conference ended on [REDACTED] but the PI's flight did not leave until the evening of [REDACTED]. Lodging was charged to the NSF award for the night of [REDACTED].
- Per diem was charged on [REDACTED] and [REDACTED], but this travel was from [REDACTED] 2014 to [REDACTED] 2014.
- A taxi was charged on [REDACTED] and [REDACTED] but this travel was from [REDACTED] 2014 to [REDACTED] 2014.
- UT Austin did not explain why this travel was necessary for the NSF award.

Inadequate Explanation to Support Travel Expenses

We questioned \$2,253 charged to one NSF award for airfare from [REDACTED] to [REDACTED], from August [REDACTED]. The costs were transferred to the NSF award on January 19, [REDACTED], 19 days after the award expiration on December 31, [REDACTED]. UT Austin did not provide an explanation for why the travel was necessary for the award, who the traveler was, or the purpose of the travel.¹²

We questioned \$1,824 charged to one NSF award for airfare for the PI from Austin, TX, to [REDACTED], from June [REDACTED] 2014. UT Austin did not provide an explanation for why the travel was necessary for the award.

¹² 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."

PI Travel Charged to Participant Support

We questioned \$1,771 for airfare to [REDACTED] and [REDACTED] for the PI that was charged to participant support. Per NSF regulations, costs for employees are not to be paid out of participant support, and funds provided for participant support may not be used for other categories of expense without specific NSF written approval.¹³ NSF did not provide specific written approval for the rebudgeting of participant support funds on this award.

UT Austin did not adequately review the travel expenditures charged to the NSF awards, which resulted in unreasonable and unallocable travel and related charges. Without a process to ensure costs are reasonable, allocable, and allowable, there is increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal requirements.

Recommendations

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

1. Resolve the \$15,604 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, training, processes, and procedures related to travel expenditures.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will strengthen controls related to the proper allocation of multiple travel expenditures.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$15,604 in questioned costs have been returned, this finding should be closed.

¹³ AAG, 14-1, Chapter V, B.8.a, states: "Participant support costs 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 meetings, conferences, symposia or training projects...Funds provided for participant support may not be used for other categories of expense without the specific prior written approval of the NSF cognizant Program Officer."

Finding 7: Unallowable Moving and Relocation Costs

We questioned \$10,505 in moving and relocation expenses charged to three NSF awards for three employees that were unallowable.

For moving and relocation expenses to be allowable, the NSF guidelines require that the individual be essential to the project on a full-time basis for a continuous period of at least 12 months.¹⁴ However, against Federal and NSF guidelines, the three employees did not work on the award for the first 12 months following their relocation.¹⁵ Per UT Austin, “the responsibility for management of relocation costs, including adherence to the requirement that the individual work on the project for a continuous period of 12 months, is at the department/PI level. With the recent creation of a new training position with OSP, UT Austin will look for opportunities to provide greater awareness and training on the management of such costs.”

Without a process to ensure moving expenditures comply with NSF policies, there is increased risk that funds may not be spent in accordance with Federal requirements. UT Austin personnel did not adequately monitor the moving and relocation expenditures charged to NSF awards, which resulted in unallowable costs.

UT Austin agreed to remove \$10,505 in unallowable moving expenditures from the awards in question. During the audit resolution process, NSF should ensure that the awards have been credited as appropriate.

Recommendations

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

1. Resolve the \$10,505 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, training, processes, and procedures related to charging of moving and relocation expenditures.

¹⁴AAG, 11-1, and 14-1, Chapter V, C.4, state: “Relocation costs may be charged to an NSF grant ...provided that: (i) a proposal for NSF support specifically indicates that the grantee intends to hire a named individual for full-time work on the project...and (iii) the prospective employee or visiting staff member: (a) is essential to the project on a full-time basis for a continuous period of at least twelve months....” Additionally, AAG, 15-1 Chapter V.C.4, states “[r]elocation costs may be charged to an NSF grant as other direct costs in accordance with the cost principles contained in 2 CFR § 200, Subpart E.”

¹⁵ According to 2 CFR Part 220, Appendix A, 42, “relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to a well-managed recruitment program...and the newly hired employee resigns for reasons within his control within 12 months after hire, the institution will be required to refund or credit such relocation costs to the Federal Government.” Additionally, according to 2 CFR §200.463, “relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity’s standard recruitment program...Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part to a Federal award, and the newly hired employee resigns for reasons within the employee’s control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal Government.”

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will strengthen controls related to the proper allocation of travel and relocation expenditures.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$10,505 in questioned costs have been returned, this finding should be closed.

Finding 8: Unallocable Visa Costs

We questioned \$6,947 for premium processing service fees charged to three NSF awards for the filing of visa applications for three employees.

Per 2 CFR Part 220 a cost is allocable to a particular grant in accordance with the relative benefits received.¹⁶ Charging the NSF awards for processing service fees related to the H-1B visa petition is not reasonable or allocable to Federal awards.¹⁷ Upon review, UT Austin determined that these expenditures should not have been charged to the NSF awards and will take steps to remove the expenditures from the awards charged.

It should be noted that in February 2014 — and, therefore, not in effect for two of the awards we are questioning — NSF added guidance to the *NSF Proposal and Award Policies and Procedures Guide, Grant Proposal Guide* that states:

Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost on an NSF proposal. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on an NSF-related project. For these costs to be included on an NSF budget, they must:

- be critical and necessary for the conduct of the project;

¹⁶ 2 CFR Part 220, Appendix A, C.4 states: "A cost is allocable to a particular cost objective...if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods...is deemed to be assignable in part to sponsored projects."

¹⁷ 2 CFR Part 220, Appendix A, C.2 states: "The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances..."

- be allowable under the applicable cost principles;
- be consistent with the organization’s cost accounting practices and organizational policy; and
- meet the definition of “direct cost” as described in the applicable cost principles.¹⁸

The guidance is consistent with Federal cost principles for reasonableness and allocability, in which all costs must be fully allocable to the award that they are charged and solely to advance the work under that award.

UT Austin personnel did not adequately review the visa fees charged to the NSF award, which resulted in unallocable costs. Without a process to ensure costs are allocable, there is increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal and NSF requirements.

UT Austin agreed to remove \$6,947 in unallocable visa processing fees from the award in question. During the audit resolution process, NSF should ensure that the award has been credited as appropriate.

Recommendations

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

1. Resolve the \$6,947 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, training, processes, and procedures over visa fees charged to NSF awards.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will strengthen controls related to the proper allocation of visa costs.

See Appendix A for the complete UT Austin response.

Auditors’ Additional Comments

UT Austin’s comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$6,947 in questioned costs have been returned, this finding should be closed.

¹⁸ GPG, 14-1, Chapter II, C.2.g(vi)(f) Visa Costs

Finding 9: Unallowable Promotional Items

We question \$1,139 charged for unallowable and unnecessary promotional items that were not in accordance with 2 CFR Part 220.

According to 2 CFR Part 220, Appendix A, Section C, to be allowable for a Federal grant, a cost must be reasonable and necessary for the administration and performance of the award.¹⁹ Therefore, we question \$1,139 for the purchase of [REDACTED] plaques provided to participants who successfully completed the [REDACTED] program. This purchase was unallowable and unnecessary for the performance of the NSF award.

Additionally, the cost of the plaques was charged to the participant support budget line. Per the NSF AAG, “[p]articipant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants...in connection with meetings, conferences, symposia or training projects.”²⁰ This purchase is also unallowable as a participant support cost.

UT Austin personnel did not adequately review the expenditures charged to the NSF awards, which resulted in unallowable and unnecessary costs. Without a process to ensure costs are allowable and necessary, there is increased risk that funds may not be used as required to accomplish the project objectives in accordance with Federal and NSF requirements.

UT Austin agreed to remove \$1,139 in unallowable and unnecessary costs from the award in question. During the audit resolution process, NSF should ensure that the award has been credited as appropriate.

Recommendations

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

1. Resolve the \$1,139 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls and processes for reviewing costs to ensure that unallowable advertising and participant support are not charged to NSF awards.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will enhance its training to include the allowability of promotional items.

See Appendix A for the complete UT Austin response.

¹⁹ 2 CFR Part 220, Appendix A, C.3 states: “Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement....”

²⁰AAG, 08-1, Chapter V, B.8.a.(i)

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$1,139 in questioned costs have been returned, this finding should be closed.

Finding 10: Underspent Participant Support

We question \$765 for underspent participant support costs transferred to other categories without specific written approval.

The participant support funds were used for other categories of expense without the specific prior written approval of the NSF cognizant Program Officer; therefore, we question the difference between the budgeted and actual expenditures as noted in Table 5.

Table 5. Summary of Questioned Participant Support

	Budget	Actual	Difference
Participant Support	\$ 80,000	\$ 77,867	\$ 2,133
Proposal Budget	\$ 899,999	\$ 898,631	\$ 1,368
Total Questioned			\$ 765

Source: Auditor analysis of questioned transactions

Participant support was underspent by \$2,133 and the award was underspent by \$1,368. Therefore, we question \$765 (\$2,133 - \$1,368) for participant support costs transferred to other cost categories. Per UT Austin, the Grant and Contracts Specialist preparing the close-out package should have noticed the variances and taken steps to rectify the situation prior to closing the grants. According to the NSF policy, “[f]unds provided for participant support may not be used...for other categories of expense without the specific prior written approval of the cognizant NSF Program Officer.”²¹ No approval was received; therefore, the underspent award balance is questioned.

UT Austin personnel did not follow the existing policies and procedures during the award closeout. The inadequate review of the participant support budget line item resulted in unallowable costs. Without appropriate oversight to ensure the close-out process is followed and participant support costs are not re-budgeted without specific prior written approval, there is increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with NSF requirements.

UT Austin agreed to remove \$765 in unallowable and unnecessary costs from the award in question. During the audit resolution process, NSF should ensure that the award has been credited as appropriate.

²¹ AAG, 13-1, Chapter V, B.8.a(ii)

Recommendations

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

1. Resolve the \$765 of questioned costs, and direct UT Austin to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UT Austin to strengthen the administrative and management controls, training, processes, and review procedures for the NSF awards close-out process.

Summary of Awardee Response

UT Austin concurs with this finding and agrees to return the sustained questioned costs. In response, UT Austin will strengthen training and controls to include procedures to ensure the allowability and allocability of expenditures during the Federal award close-out process.

See Appendix A for the complete UT Austin response.

Auditors' Additional Comments

UT Austin's comments are responsive to this finding. Once NSF determines that the recommendations have been adequately addressed and the \$765 in questioned costs have been returned, this finding should be closed.



April 19, 2019

Appendix A: Awardee Response



OFFICE OF SPONSORED PROJECTS
THE UNIVERSITY OF TEXAS AT AUSTIN

Suite 3.11072 • Building 156 • 3925 West Braker Lane • Austin, Texas 78759

April 19, 2019

[REDACTED]
Audit Manager
WithumSmith+Brown

RE: University of Texas at Austin Audit of Incurred Costs

Dear [REDACTED]

On April 5, 2019, The University of Texas at Austin (UT Austin) received the subject report prepared by WithumSmith+Brown (WSB) on behalf of the National Science Foundation (NSF) Office of Inspector General (OIG). WSB audited NSF costs claimed by UT Austin from December 1, 2013, to November 30, 2016.

Please find below UT Austin's formal responses to the ten findings. We look forward continuing the audit resolution process with NSF.

For any further questions or information, please contact me at [REDACTED]@austin.utexas.edu.

Best regards,

[REDACTED]
Linda Haster
Associate Director
Office of Sponsored Projects

CC: Renee K. Gonzales
Asst. Vice President for Research
Office of Sponsored Projects

Finding 1: Unreasonable Transactions

We identified four transactions, charged to three awards, totaling \$63,174, that were unreasonable or unallocable on the NSF awards charged as described in Table 1. [...] UT Austin did not adequately review the expenditures, which resulted in unallowable costs. Enhanced oversight procedures should be adopted to strengthen existing processes and controls to review expenditures to minimize unreasonable and unallowable costs.

Management Response to Finding 1:

Finding 1a:

UT Austin does not fully concur with the finding. UT Austin acted with the understanding of approval by NSF for obtaining the items. Although the equipment was not included in either the proposal budget and justification or the award extension, the purchase was made with explicit approval from NSF Program Director [REDACTED] "It all sounds reasonable. It is fine with me if you buy equipment." Per University procedures, the purchases were reviewed by the assigned Office of Sponsored Projects Specialist, who requested an allocation. The Principal Investigator maintained that the purchases were intended exclusively for use on the award--and retroactively estimates they were about 90%. The University maintains a portion of the cost is allowable and allocable.

Findings 1b & 1c:

UT Austin concurs with the findings and agrees to return sustained questioned costs.

UT Austin will strengthen training, modify controls and procedures for reviewing the allocation of expenses incurred on Federal award with particular emphasis placed on expenditures charged near the end of the award lifecycle.

Finding 2: Purchases Near the Award Expiration

We found UT Austin made purchases near the end of award periods for items that did not appear reasonable or necessary to the awards charged. [...] UT Austin personnel did not adequately review the above questioned material and supply expenditures, which resulted in unreasonable costs. Enhanced oversight procedures and controls should be adopted to review expenditures charged near the end of the award period.

Management Response to Finding 2:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen training, modify controls and procedures for reviewing the allocation of expenses incurred on Federal award with particular emphasis placed on expenditures charged near the end of the award lifecycle.

Finding 3: Unallocable Costs

We identified several instances of noncompliance with Federal requirements related to costs that did not appear to be allocable to the awards charged.

Management Response to Finding 3:

UT Austin concurs with the findings and agrees to return sustained questioned costs.

Findings 3a, 3c, 3d, 3e & 3f:

UT Austin will provide administrative training and tools related to allowability vs. allocability of expenses charged to Federal awards.

Finding 3b:

UT Austin will coordinate with the procurement office to modify controls and procedures related to timely removal of disputed expenses as a result of defects and/or warranties issues.

Finding 4: Inadequate Documentation

We identified \$42,947 of costs charged to five awards that were not adequately supported and therefore not in compliance with Federal requirements. [...] UT Austin did not retain or provide adequate documentation for audit, which resulted in unreasonable and unallowable costs.

Management Response to Finding 4:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will modify controls and procedures for the allocation of expenses incurred on Federal awards with particular emphasis placed on document retention.

Finding 5: Unallowable Indirect Costs

We questioned \$25,767 in unallowable indirect costs charged to two NSF awards. The indirect costs were assessed against equipment purchases, which is unallowable in accordance with Federal cost principles. [...] UT Austin personnel incorrectly coded the above transactions as non-inventorial equipment, and, therefore, they were assessed indirect costs.

Management Response to Finding 5:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will take the necessary steps to ensure expenses are classified appropriately and that IDC's are not allocated on capital equipment. In addition to training administrative and management personnel how to identify miscoding.

Finding 6: Unreasonable Travel

We questioned \$15,604 in travel costs that did not appear reasonable and necessary for the awards charged or were not in compliance with NSF requirements. [...] UT Austin did not adequately review the travel expenditures charged to the NSF awards, which resulted in unreasonable travel and related charges.

Management Response to Finding 6:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen the administrative and management controls over the proper allocation of expenses related to multipurpose travel.

Finding 7: Unallowable Moving and Relocation Costs

We questioned \$10,505 in moving and relocation expenses charged to three NSF awards for three employees that were unallowable.

Management Response to Finding 7:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen training to provide more in-depth information regarding federal cost allowability related to travel and relocation expenses. UT Austin will modify controls and procedures related to routing, reviewing and approving expenditures.

Finding 8: Unallocable Visa Costs

We questioned \$6,947 for premium processing service fees charged to three NSF awards for the filing of visa applications for three employees. [...] UT Austin personnel did not adequately review the visa fees charged to the NSF award, which resulted in unallocable costs.

Management Response to Finding 8:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen training to provide more in-depth information regarding federal cost allowability related to visa cost.

Finding 9: Unallowable Promotional Items

We question \$1,139 charged for unallowable and unnecessary promotional items that were not in accordance with 2 CFR 220. [...] UT Austin personnel did not adequately review the expenditures charged to the NSF awards, which resulted in unallowable and unnecessary costs.

Management Response to Finding 9:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen training to provide more in-depth information regarding federal cost allowability related to promotional items.

Finding 10: Underspent Participant Support

We question \$765 for underspent participant support costs transferred to other categories without specific written approval. [...] UT Austin personnel did not follow the existing policies and procedures during the award closeout. The inadequate review of the participant support budget line item resulted in unallowable costs.

Management Response to Finding 10:

UT Austin concurs with this finding and agrees to return sustained questioned costs. UT Austin will strengthen training, modify controls and procedures for reviewing the allowability and allocation of expenses incurred on Federal award during the award closeout.

Appendix B: Objective, Scope, Methodology, and Criteria

Objective

To determine if costs claimed by UT Austin on NSF awards are allowable, allocable, reasonable, and in compliance with NSF and Federal financial assistance requirements.

Scope

Our audit included assessing the allowability, allocability, and reasonableness of costs claimed by UT Austin through the Award Cash Management Service for the 3-year period beginning December 1, 2013 through November 30, 2016. NSF OIG obtained from UT Austin all award transactions comprising all costs claimed to NSF during this period. This provided an audit universe of approximately \$226 million, in more than 208,000 transactions, across 929 individual NSF awards. For transaction testing, NSF OIG judgmentally selected 277 transactions totaling more than \$12.6 million and utilized a data analytics approach to identify potential risk areas.

The audit work was conducted at the auditors' offices and onsite at UT Austin in Austin, Texas. Onsite fieldwork was conducted during August 2017 and September 2017. 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 UT Austin personnel to ensure that they were aware of each of our findings and did not have any additional documentation to support the questioned costs.

UT Austin 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 UT Austin's internal control solely to understand the policies and procedures relevant to the financial reporting and administration of NSF awards to evaluate UT Austin's compliance with laws, regulations, and award terms applicable to the items selected for testing, but not to express an opinion on the effectiveness of UT Austin's internal control over award financial reporting and administration. Accordingly, we do not express an opinion on the effectiveness of UT Austin's internal control over its award financial reporting and administration.

This performance audit was conducted 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 the conclusions based on the audit objective. The auditors believe that the evidence obtained provides a reasonable basis for the conclusions based on the audit objective.

Methodology

At our request, UT Austin provided detailed transaction data for all costs charged to NSF awards for the period December 1, 2013 through November 30, 2016. We 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 UT Austin and agreed them to supporting accounting records.

After verifying that the population of data was appropriate, we analyzed the data contained in the UT Austin general ledger and supporting detailed ledgers to identify anomalies, outliers, and aberrant transactions. Then we judgmentally selected a sample of transactions to test based on predefined criteria.

The transactions identified for testing were provided to UT Austin, with a request for the documentation to support each transaction. We reviewed the supporting documentation provided by UT Austin 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 knowledgeable 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 UT Austin and NSF OIG. We assessed NSF's computer-processed data and found it to be sufficiently reliable for the purposes of this audit.

Criteria

We assessed UT Austin's compliance with its internal policies and procedures, as well as the following:

- 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- 2 CFR Part 220, *Cost Principles for Educational Institutions* (Office of Management and Budget (OMB) Circular A-21)
- 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (Office of Management and Budget Circular A-110)
- *NSF Proposal and Award Policies and Procedures Guide* (includes the *Grant Proposal Guide* and *Award and Administration Guide*)
- NSF Award Specific Terms and Condition
- NSF Federal Demonstration Partnership Research Terms and Conditions

Appendix C: Questioned Costs Summary by Award

Award Number	Direct Costs Questioned	Fringe Benefits Questioned	Indirect Costs Questioned	Total Questioned	Total Unsupported
Finding 1: Unreasonable Transactions					
	52,619	--	--	52,619	--
	3,747	--	1,948	5,695	--
	3,240	--	1,620	4,860	--
Finding 1 Total	59,606	--	3,568	63,174	--
Finding 2: Purchases Near the Award Expiration					
	\$ 12,398	\$ --	\$ 6,695	\$ 19,093	\$ --
	4,448	--	2,401	6,849	--
	4,332	--	1,993	6,325	--
	3,808	--	1,980	5,788	--
	3,250	--	1,690	4,940	--
	3,937	--	2,126	6,063	--
	1,650	--	883	2,533	--
	1,432	--	766	2,198	--
	1,218	--	658	1,876	--
	1,044	--	543	1,587	--
	1,304	--	--	1,304	--
Finding 2 Total	38,821	--	19,735	58,556	--
Finding 3: Unallocable Costs					
	24,995	--	--	24,995	--
	10,850	--	--	10,850	--
	9,483	--	--	9,483	--
	4,417	--	1,589	6,006	--
	3,075	--	800	3,875	--
	3,000	--	--	3,000	--
Finding 3 Total	55,820	--	2,389	58,209	--
Finding 4: Inadequate Documentation					
	9,314	--	5,076	14,390	14,390
	6,684	--	3,610	10,294	10,294
	6,038	--	3,320	9,358	9,358
	4,200	--	1,092	5,292	5,292
	3,613	--	--	3,613	3,613
Finding 4 Total	29,849	--	13,098	42,947	42,947

Award Number	Direct Costs Questioned	Fringe Benefits Questioned	Indirect Costs Questioned	Total Questioned	Total Unsupported
Finding 5: Unallowable Indirect Costs					
	--	--	18,301	18,301	--
	--	--	7,466	7,466	--
Finding 5 Total	--	--	25,767	25,767	--
Finding 6: Unreasonable Travel					
	4,419	--	--	4,419	--
	2,892	--	1,446	4,338	--
	1,798	--	962	2,760	--
	2,028	--	225	2,253	--
	1,771	--	--	1,771	--
	41	--	22	63	--
Finding 6 Total	12,949	--	2,655	15,604	--
Finding 7: Unallowable Moving and Relocation					
	4,645	--	465	5,110	--
	2,500	--	1,350	3,850	--
	1,000	--	545	1,545	--
Finding 7 Total	8,145	--	2,360	10,505	--
Finding 8: Unallocable Visa Fees					
	2,050	--	1,117	3,167	--
	1,225	--	662	1,887	--
	1,225	--	668	1,893	--
Finding 8 Total	4,500	--	2,447	6,947	--
Finding 9: Unallowable Promotional Items					
	1,139	--	--	1,139	--
Finding 9 Total	1,139	--	--	1,139	--
Finding 10: Underspent Participant Support					
	765	--	--	765	--
Finding 10 Total	765	--	--	765	--
Total	\$ 211,594	\$ --	\$ 72,019	\$ 283,613	\$ 42,947



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