



## NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS  
SUITE 8U71, 300 E ST SW  
WASHINGTON, D.C. 20546-0001

February 18, 2016

TO: Donald G. James  
Associate Administrator for Education

Bill McNally  
Assistant Administrator for Procurement

Mark V. Glorioso  
Executive Director, NASA Shared Services Center

Jason D. Richter, Interim Director  
Office of Sponsored Projects  
University of Texas at Austin

SUBJECT: Final Memorandum, *Audit of NASA Space Grant Awarded to the University of Texas at Austin* (IG-16-013)

Dear Associate Administrator James, Assistant Administrator McNally, Mr. Glorioso, and Mr. Richter,

NASA annually awards approximately \$875 million in grants and cooperative agreements and faces the ongoing challenge of ensuring that it administers these awards appropriately and that recipients accomplish stated goals and objectives.<sup>1</sup> Prior NASA Office of Inspector General (OIG) reports have identified instances where NASA and award recipients did not have an adequate system of controls to ensure proper administration and management of awards, and as a result, grant funds had not been used for their intended purposes. Consequently, we are continuing our oversight in this area through audits examining specific NASA grants and cooperative agreements. In this report, we present the results of our review of a \$3.36 million grant NASA awarded in 2010 to the University of Texas at Austin for education training to increase interest in science, technology, engineering, and mathematics (STEM).

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<sup>1</sup> This figure is averaged from NASA's Annual Procurement Reports from 2012 – 2014.

# BACKGROUND

Congress directed NASA to develop a National Space Grant College and Fellowship Program (Space Grant Program). In 1989, NASA initiated the Space Grant Program to create a network of universities with capabilities in aeronautics, space, and related fields, and to encourage cooperative programs among universities, the aerospace industry, and Federal, state, and local governments. The Program also seeks to foster interdisciplinary training, research, and education programs in aerospace-related issues; promote recruiting and training for careers in aerospace STEM fields with an emphasis on women, minorities, and persons with disabilities; and promote STEM education from elementary school through university levels.

To achieve these objectives, the Space Grant Program provides funding to 52 consortia – one in each state, the District of Columbia, and Puerto Rico – that include more than 850 affiliates from universities, colleges, industry, museums, science centers, and state and local agencies. Each consortium funds fellowships and scholarships for students pursuing careers in STEM fields, as well as STEM curriculum enhancement and faculty development. Member colleges and universities also offer pre-college and public service education projects focusing on STEM education in their states. Lead institutions within each consortium interact with other universities to broaden joint activities with NASA and aerospace-related industries. Lead institutions also enhance their own research, training, and education capabilities in aerospace-related fields or conduct activities to expand aerospace in their jurisdictions. Grant recipients are required to secure non-Federal matching funds at least equal to NASA's contribution less any scholarship awards, and students who receive support as Space Grant fellows or scholars must be citizens of the United States.<sup>2</sup> On NASA's side of the house, the Office of Education is responsible for issuing the solicitation for the Space Grant Program and ensuring recipients achieve the Program's goals, while the NASA Shared Services Center (NSSC) is responsible for awarding and administering the grant.

The Texas Space Grant Consortium (Consortium) was founded in 1989 and currently has 57 member institutions, including universities, industry, nonprofit organizations, and government agencies. The University of Texas at Austin (University) is the Consortium's lead institution. In January 2010, the University applied for a 5-year training grant under the Space Grant Program, listing the following goals in its proposal:

- Create, evolve, and maintain programs and events that inspire and involve students, professionals, and the public in space-related activities.
- Increase awareness of, and participation in, Consortium activities by members of traditionally underrepresented groups.
- Work cooperatively with other organizations with similar goals to efficiently identify, leverage, and use resources to fund these activities.
- Evaluate the impact of our activities in order to continually increase the value of our efforts to NASA, Texas, and the Nation.

In June 2010, NSSC awarded a 5-year, \$2.875 million grant to the University on behalf of the Consortium with a performance period of April 2010 through April 2015. The grant sought to increase

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<sup>2</sup> 14 Code of Federal Regulation (CFR) 1259.503, "Limitations," May 9, 1989.

minority/underserved participation in the STEM workforce through college fellowships and scholarships and development of K-12 teacher workshops and instructional programs. The Consortium received \$575,000 per year and additional funding in award years 1 and 2, which increased the total award to \$3.36 million. In addition, the performance period was extended until September 30, 2015.<sup>3</sup> Under the terms of the grant, the Consortium was required to match the award with cash equivalents of \$2.93 million over the 5-year period, for a total grant of \$6.29 million. In May 2015, NSSC awarded the University an additional 3-year, \$1.38 million grant to initiate new NASA STEM activities and enhance existing activities.

Our overall audit objective was to determine whether the University used NASA funds for their intended purpose and whether associated costs were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the award's terms and conditions. Specifically, we reviewed the University's (1) accounting and internal control environment, (2) program performance and accomplishments, (3) budget management and control, and (4) reporting. We also reviewed NASA's administration of the grant.

To accomplish our audit, we interviewed NASA grant and technical officers, spoke with University and Consortium personnel responsible for administration and management of the grant, and visited the University to document accounting, procurement, and project management processes and internal controls. In addition, we reviewed laws, regulations, and documentation pertinent to our audit. Additional details of the audit scope and methodology, our review of internal controls, and prior audit coverage can be found in Enclosure I.

## **RESULTS**

We found that the University has a strong system of accounting and internal controls to account for expenditures adequately and that the Consortium satisfied the overall performance goals and objectives of the grant. However, we identified deficiencies in the Consortium's management of award funds and NASA's oversight of the grant's cost matching verification. Specifically, the Consortium inappropriately awarded \$2,528 in scholarships to students who were not U.S. citizens and failed to adequately track required cost matching. Similarly, NASA did not adequately verify the Consortium's cost matching efforts.

Although these are relatively minor issues, in our judgment they point to needed improvements of the Agency's internal controls over scholarships and cost matching. Failure to make such improvements increases the risk that the Space Grant Program will fall short of its potential to reach the widest possible audience to promote STEM activities.

### **Scholarships Awarded to Non-U.S. Citizens**

We found the Consortium failed to ensure only U.S. citizens received scholarship funding from the grant as required by the award agreement. The Consortium had internal controls in place that required scholarship applicants to indicate they were U.S. citizens on forms at the start of the scholarship

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<sup>3</sup> In August 2010, funding for award year 1 was increased by \$270,000 and in April 2012 award year 2 funding was increased by \$215,000. In January 2015, the Consortium was granted a 5-month, 8-day no-cost extension from April 22 to September 30, 2015.

process. However, when the Consortium funded scholarships within member institutions, including at the University, it failed to ensure project managers at those institutions were aware of the citizenship requirement. Consequently, \$2,528 of Space Grant scholarships were awarded to five non-U.S. citizen students.

## **NASA Has Limited Assurance Consortium Met Matching Requirement**

We found the Consortium did not accurately record its actual cost match, and NASA did not adequately ensure the Consortium met its cost matching responsibilities. This happened because neither the University nor NASA had processes to track and verify actual matched funds. As a result, NASA has limited assurance whether the University provided the cost matching required by the grant.

In NASA's 2010 Space Grant Program announcement, consortia were directed to submit a proposal to annually match the grant amount less any funding for scholarships and fellowships.<sup>4</sup> The Consortium proposed "to secure nonfederal matching funds at least equal to the program (the non-fellowship/scholarship) portion of the grant, including augmentations when specified," and planned to do so through the efforts of its members and member fees, which they calculated to be about \$574,000 annually, or \$2,869,000 over the grant's 5-year performance period. Based on the grant's augmentations, the University proposed that it could match \$2,978,500.

**Management of Consortium's Matching Funds is Inadequate.** Federal regulations and NASA's Grant and Cooperative Agreement Handbook (Grant Handbook) require that cash and in-kind matching be verifiable, necessary and reasonable, and supportable.<sup>5</sup> In addition, the recipient must maintain supporting records for in-kind contributions from a third party.<sup>6</sup> We found the Consortium did not fully record its actual cost matching amount. For example, the Consortium recorded \$461,215 as budgeted/proposed for salaries instead of calculating the actual value, which we determined was \$442,176. We also found the University did not consistently comply with Consortium bylaws regarding matching funds by failing to contribute \$40,000 of the required \$50,000 cash match. Finally, the Consortium could not consistently provide adequate support that it had actually matched the required amount. For example, it had no records for 1 year of a member's required \$10,000 annual cash match and lacked support for this same member's in-kind match for 2 of 5 years. Consequently, the Consortium could not show exactly how much required matching funds it contributed either annually or over the 5-year life of the grant.<sup>7</sup>

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<sup>4</sup> Specifically, the Consortium would be required to match \$425,000 of the \$575,000 annual award because \$150,000 is set aside for scholarships.

<sup>5</sup> In December 2014, NASA updated and renamed the Handbook to Grant and Cooperative Agreement Manual.

<sup>6</sup> In-kind matching is the value of non-cash contributions provided by the recipient and non-Federal third parties in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project.

<sup>7</sup> The Consortium records included receipts from the University and another large university's cash match, members' certification of employee time to represent the Consortium efforts at its college and university, a member's certifications for employees' services on the Consortium Board of Directors, teacher's certifications of time spent on projects, and member invoices which may not include matching data, and documentation of employees' salary.

In our judgment, these shortcomings were largely due to the Consortium lacking a systematic process to input actual expenditures and consolidate the various cash and in-kind contributions from participating institutions. NASA also did not ensure that the Consortium actually met its cost matching responsibilities because, similar to the Consortium, the Agency does not have a process to track and validate actual matched funds. As a result, NASA cannot be assured the Consortium is providing the required level of matching, which ultimately impacts the number of students and teachers who receive benefits under the grant.

**Confusion over Matching Fund Requirements.** We found a mismatch between the amount of matching funds determined by the NSSC and the amount the Consortium and NASA’s Office of Education considered as meeting the matching fund requirement. NASA’s initial grant with the University stated, “Grantees are required to secure Non-Federal matching funds at least equal to the program (the non-Fellowship/Scholarship) portion of the grant, including augmentations when specified,” but erroneously excluded a clause required by the Grant Handbook that specifies the exact match amount.<sup>8</sup> When the grant was subsequently augmented, the NSSC corrected the oversight and added the clause, but erroneously calculated the recipient match amount at \$2.93 million. According to NSSC officials, the cost-matching requirement in the award documentation was based on the amount the Consortium proposed (\$2.978 million) rather than the amount in the grant’s initial award (\$2.471 million).<sup>9</sup>

Neither the Consortium nor the Office of Education were aware that the award documentation required a higher cost match. Table 1 provides a comparison of our calculation of the Consortium’s actual cost match (\$2.608 million) to the amounts required by the Office of Education (\$2.471 million) and the award documentation (\$2.93 million). While the Consortium raised more funds than the Office of Education expected, the University’s match fell short by \$322,500 based on the award requirement.

**Table 1: Comparison of Match Amounts**

Award Document	Office of Education Expected Requirement <sup>a</sup>		Award Requirement	
	Annually	Cumulative	Annually	Cumulative
Initial grant	\$425,000	\$2,125,000 <sup>b</sup>	Not Stated	Not Stated <sup>c</sup>
Year 1 augmentation	\$185,000	Not Stated	Not Stated	\$2,868,740
Year 2 augmentation	\$161,000	Not Stated	Not Stated	\$2,930,500
<b>Total match</b>		<b>\$2,471,000</b>		<b>\$2,930,500</b>
Difference between verified amount of \$2,608,000 and requirement		\$137,000		(\$322,500)

Source: NSSC data and OIG calculations.

<sup>a</sup> NASA’s announcement and the University’s proposal only addressed annual match amounts and did not address the 5-year cumulative amounts.

<sup>b</sup> Calculated based on the annual amount multiplied by the 5-year period of performance.

<sup>c</sup> Based on the narrative text in the award document this amount would be \$2,125,000.

<sup>8</sup> CFR 1260.13 “Award Procedure,” requires the grant officer to insert Special Condition 1260.54, “Cost Sharing,” clause in the grant when cost sharing is used. This clause delineates the specific funding requirements between NASA and the recipient and establishes the criteria and procedures for the allowability of the contributions.

<sup>9</sup> In accordance with the Space Grant Program’s announcement, the \$2.471 million match was calculated based on the total award amount of \$3.36 million less fellowship and scholarship funding of \$0.889 million.

In our judgment, the errors in both the Consortium’s record keeping and NASA’s award documentation could have been avoided. Officials from NASA’s Office of Education stated that monitoring the cost match is the responsibility of the NSSC and that the Office of Education is not set up to perform this function. We believe that the Office of Education, as the technical office, should review and assess whether grantees meet the award’s match requirement each year. NSSC officials agreed that the initial grant award excluded the award clause and stated that if the match amount in the grant award was incorrect, then it was either the recipient’s or the Office of Education’s responsibility to correct the award documentation. We believe that the NSSC erred in requiring the recipient to match \$2.93 million in the award and, instead, should have shown a match requirement of \$2.471 million. Further, the NSSC stated the University’s match amount on the final Federal Financial Report would be compared to the award amount during NASA’s grant closeout process, but that process cannot begin until after the University submits the report due within 90 days after the end of the performance period.<sup>10</sup> Waiting to verify the cost match until a grant is in the closeout process rather than as part of the annual performance review diminishes the Agency’s assurance the recipient is providing the required level of funding so that the maximum number of students receive benefits as intended by the grant. As such, we believe the matching requirement should be assessed routinely and periodically during the performance review and not just at grant closeout.

## **RECOMMENDATIONS, MANAGEMENT’S RESPONSE, AND OUR EVALUATION**

To ensure the University is not awarding fellowships or scholarships to non-U.S. citizens in violation of the grant award, we recommended:

1. the Associate Administrator for Education ensure Space Grant Program Consortia have processes in place to validate U.S. citizenship prior to scholarship awards; and
2. the Assistant Administrator for Procurement in conjunction with the Executive Director of the NSSC remedy the \$2,528 in scholarships the University inappropriately awarded to non-U.S. citizens and ensure the University has a process in place to prevent reoccurrence.

To ensure grant and cooperative agreement recipients are contributing the full amount of matching funds required, we recommended the Assistant Administrator for Procurement and the Associate Administrator for Education:

3. establish policies and procedures as part of the NASA Grant and Cooperative Agreement Manual to periodically review a recipient’s actual cost match and document award requirements are met prior to obligating the next increment of funding; and

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<sup>10</sup> In February 2014, we reported on issues with NASA failing to close award instruments within the required timeframes; specifically, noting a lapse between the date of completion of the activity associated with the instrument (e.g., final product delivery) and the date on which the Agency began the closeout process. “NASA’s Award Closeout Process” (IG-14-014, February 12, 2014).

4. coordinate with the Executive Director of the NSSC to train grant recipients and NASA technical and procurement personnel on the proper administration, monitoring, tracking, and reporting of recipients' actual costs matched.

We provided a draft of this memorandum to NASA management and the University for review and comment. Management concurred or partially concurred with our recommendations and described corrective actions to address them. We consider management's comments responsive; therefore, the recommendations are resolved and will be closed upon completion and verification of the proposed corrective actions. NASA's full response is reproduced in Enclosure II and the University's in Enclosure III. Technical comments provided by the Agency have also been incorporated, as appropriate.

If you have questions or wish to comment on the quality or usefulness of this memorandum, contact Laurence Hawkins, Audit Operations and Quality Assurance Director, at 202-358-1543 or [laurence.b.hawkins@nasa.gov](mailto:laurence.b.hawkins@nasa.gov).

Sincerely,



Paul K. Martin  
Inspector General

cc: Krista Paquin  
Associate Administrator for Mission Support

Daniel J. Tenney  
Deputy Associate Administrator for Mission Support

Wallace T. Fowler, PhD  
Principal Investigator, University of Texas

**Enclosures – 3**

## **Enclosure I: Scope and Methodology**

We performed this audit from August 2015 through January 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our overall audit objective was to determine whether the University used NASA funds for their intended purpose and whether associated costs were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the award's terms and conditions. We also reviewed internal controls as they relate to the management of the award. To accomplish our objective, we interviewed key personnel at the University, Consortium, NASA Headquarters' Office of Education, and the NSSC Office of Procurement involved in the grant administration, management, and award processes. We also identified and reviewed relevant Federal laws and regulations and NASA policies, procedures, and requirements. The methodology we used for the review is described below.

### ***Award Selection***

We judgmentally selected the training grant (NNX10AI96H) awarded to the University based on the dollar value, the number of supplements awarded, and the subject area funded to ensure appropriate audit coverage across NASA's grant and cooperative agreement awards.

### ***Award File Documentation***

We reviewed the award documentation for the training grant including the proposal, budget, technical review reports, and summary financial reporting documentation. We also interviewed NASA officials responsible for administration of the University's training grant.

### ***Recipient Site Visits***

In October 2015, we visited the recipient's locations in Austin, Texas, and met with staff from the University and the Consortium. We interviewed University and Consortium personnel, including the Space Grant Principal Investigator, to gain an understating of the Space Grant Program, internal controls, and the operations for managing the award and its performance goals.

### ***Testing Conducted***

We judgmentally selected accounting transactions and performed the substantive transaction testing necessary to validate whether NASA grant funds were used for their intended purpose while assessing the sufficiency of the recipient's performance. Unless otherwise stated in our report, the criteria we audited against included Federal requirements, the Grant Handbook in CFR 1260, the terms and conditions of the awards, and the University's policies and procedures. In conducting our audit, we employed judgmental sampling designed to obtain broad exposure to numerous facets of the training grant, such as travel, payroll, subcontracts, and supply expenditures and draws of NASA funds. We selected 66 transactions that occurred between June 2010 through July 2015, with an absolute value of

\$159,236 for detailed review and evaluated whether they were properly recorded and allowable under the laws and terms of the grant. This non-statistical sample design does not allow projection of the test results to the universe from which the samples were selected.

Specifically, we tested the recipient's:

- *Accounting and internal controls* to determine whether the recipient had sufficient accounting and internal controls to identify and report expenditures and reimbursements. This included testing:
  - Award invoices and payments to determine whether the recipient's draw of NASA funds were adequately supported and whether the recipient was managing award funds in accordance with Federal requirements; and
  - Award expenditures to determine the accuracy and allowability of costs charged to the grant.
- *Program performance and accomplishments* to determine whether the recipient met or is capable of meeting the award objectives and whether the recipient collected data and developed performance measures to assess accomplishment of the intended objectives.
- *Budget management and control* to determine the amounts budgeted and the actual costs for each approved cost category and to determine whether the recipient deviated from the approved budget and, if so, whether the recipient received the necessary approval.
- *Cost matching* to determine whether the recipient met the required match amount.
- *Award reporting* to determine whether the required reports were submitted on time and accurately reflected grant activity.

We also performed limited work and confirmed that the Consortium did not generate program income, whether the recipient was in receipt of any Government issued property or equipment that was reportable to NASA, had sub-recipients to monitor, and whether there were any indirect costs associated with the award we reviewed.

### ***Questioned Costs***

We identified \$325,028 in questioned costs during the course of the audit. The University inappropriately awarded \$2,528 in scholarships to non-U.S. citizens and failed to meet the cost matching requirements of the award documentation (see Table 2). We plan to report the questioned costs to Congress in our Semiannual Report for the period October 1, 2015 – March 31, 2016.

**Table 2: Questioned Costs to be Reported to Congress**

Questioned Cost	Amount
Scholarships Awarded to non-U.S. Citizens	\$2,528
University's Shortfall in Cost Matching	\$322,500
<b>Total</b>	<b>\$325,028</b>

Source: OIG calculations.

### ***Federal Laws, Regulations, Policies, and Guidance***

We identified and reviewed all applicable Federal and Agency regulations and guidance, including the following:

- Public Law 95-224, "Federal Grant and Cooperative Agreement Act of 1977," February 3, 1978
- 14 CFR Part 1259, "National Space Grant College and Fellowship Program," May 9, 1989
- 14 CFR Part 1260 Subpart A, "Grants and Cooperative Agreements," January 1, 1999
- 14 CFR Part 1260 Subpart B, "Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," January 1, 1999
- Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," May 10, 2004
- OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," January 1, 2012
- OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," June 26, 2007

### ***NASA Policies and Procedures***

- NASA Policy Directive 5101.32D, "Procurement," April 13, 2003
- NASA Policy Directive 5101.32E, "Procurement, Grants, and Cooperative Agreements," July 28, 2013
- NASA Procedural Requirements 5800.1, "NASA Grant and Cooperative Agreement Handbook (14 CFR 1260) (Revalidated 3/10/2011)," Sections A and B
- NASA Procedural Requirements 9680.1A, "NASA's Management of Grants and Cooperative Agreements," November 10, 2011

### ***Use of Computer Processed Data***

We relied on General Service Administration's Federal Procurement Data System's computer-processed data to obtain the NASA grant and cooperative agreement universe used to select the award to be examined. We relied on NASA computer-processed data to provide financial data. Further, we also placed reliance on the information obtained from the University's financial system to perform detailed transaction testing on the recipient's financial records. Generally, we concluded that we could rely upon this data for our conclusions because we were able to assess the data.

## **Review of Internal Controls**

We reviewed internal controls for the grant recipient's administration and management of grants, including the adequacy of the University of Texas' policies and procedures. We also interviewed officials responsible for directing the Consortium's Space Grant Program. We learned about established policies and processes pertaining to the effectiveness and efficiency of operations, the payroll and timekeeping system, and the monitoring of grant performance. The control weaknesses we identified are discussed in this report. Our recommendations, if implemented, should correct the identified control weaknesses.

## **Prior Coverage**

During the last 5 years, the NASA OIG and the Government Accountability Office (GAO) have issued 17 reports and 2 testimonies related to the subject of this report. Unrestricted reports can be accessed at <https://oig.nasa.gov/audits/reports/FY16> and <http://www.gao.gov>, respectively.

### ***NASA Office of Inspector General***

*Audit of a NASA Research Grant Awarded to University of Miami* (IG-16-011, January 21, 2016)

*NASA's Education Program* (IG-16-001, October 19, 2015)

*Audit of NASA's Cooperative Agreements Awarded to Wise County Circuit Court* (IG-15-022, July 16, 2015)

*Audit of NASA's Cooperative Agreements Awarded to the City of New Orleans* (IG-15-018, June 29, 2015)

*Audit of NASA's Cooperative Agreement with BioServe Space Technologies - University of Colorado at Boulder* (IG-14-028, August 4, 2014)

*Audit of Grant Awarded to North Carolina State University* (IG-14-027, July 23, 2014)

*Audit of NASA's Cooperative Agreement Awarded to Rockwell Collins* (IG-14-025, July 14, 2014)

*NASA's Award Closeout Process* (IG-14-014, February 12, 2014)

*Audit of NASA Grant Awarded to HudsonAlpha Institute for Biotechnology* (IG-12-019, August 3, 2012)

*Audit of NASA Grants Awarded to the Philadelphia College Opportunity Resources for Education* (IG-12-018, July 26, 2012)

*Audit of NASA Grants Awarded to the Alabama Space Science Exhibit Commission's U.S. Space and Rocket Center (IG-12-016, June 22, 2012)*

*NASA's Grant Administration and Management (IG-11-026, September 12, 2011)*

***Government Accountability Office***

*Grants Management: EPA Has Opportunities to Improve Planning and Compliance Monitoring (GAO-15-618, August 17 2015)*

*Health Resources and Services Administration: Action Taken to Train and Oversee Grantee Monitoring Staff, but Certain Guidance Could Be Improved (GAO-14-800, September 23, 2014)*

*Federal Grants: Agencies Performed Internal Control Assessments Consistent with Guidance and Are Addressing Internal Control Deficiencies (GAO-14-539, July 30, 2014)*

*State Department: Implementation of Grants Policies Needs Better Oversight (GAO-14-635, July 21, 2014)*

*Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts (GAO-13-383, May 23, 2013)*

*Grants Management: Improving the Timeliness of Grant Closeouts by Federal Agencies and Other Grants Management Challenges (GAO-12-704T, July 25, 2012)*

*Federal Grants: Improvements Needed in Oversight and Accountability Processes (GAO-11-773T, June 23, 2011)*

## Enclosure II: Management's Comments

National Aeronautics and Space Administration  
Headquarters  
Washington, DC 20546-0001



February 17, 2016

Reply to Attn of:

Office of Education

TO: Assistant Inspector General for Audits  
FROM: Associate Administrator for Education  
SUBJECT: Response to OIG Draft Report, "Audit of a NASA Space Grant Awarded to the University of Texas at Austin" (A-15-012-00)

NASA appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft report entitled "Audit of a NASA Space Grant Awarded to the University of Texas at Austin" (A-15-012-00), dated January 21, 2016.

In the draft report, the OIG makes four recommendations addressed to the Associate Administrator for Education, Assistant Administrator for Procurement, and the Executive Director, NASA Shared Services Center (NSSC), intended to ensure fellowships or scholarships are not made in contravention of the grant award, and to ensure grant and cooperative agreement recipients are contributing the full amount of matching funds required.

Specifically, the OIG recommends:

To ensure the University is not awarding fellowships or scholarships to non-U.S. citizens in violation of the grant award:

**Recommendation 1:** The Associate Administrator for Education [should] ensure Space Grant Program Consortia have processes in place to validate U.S. citizenship prior to scholarship awards.

**Management's Response:** Concur. According to the recipient, it had processes in place to validate U.S. citizenship and stated that any scholarship awarded to a non-U.S. citizen was due to an oversight. The National Space Grant College and Fellowship Program (Space Grant) announcement for 2015 requires proposals to include a description of the recruitment process, selection process and plans that show student eligibility. NASA will review and determine if this announcement language is sufficient or if additional language or processes are needed for future Space Grant announcements. Additionally, the Office of Education has already begun to implement new procedures to ensure Space Grant Program consortia have processes in place to validate U.S. citizenship prior to the awarding of scholarships.

**Estimated Completion Date:** One year from date of final audit report.

**Recommendation 2:** The Assistant Administrator for Procurement in conjunction with the Executive Director of the NSSC remedy the \$2,528 in scholarships the University inappropriately awarded to non-U.S. citizens and ensure the University has a process in place to prevent reoccurrence.

**Management's Response:** NASA concurs with this request and will coordinate with the Executive Director of NSSC to request reimbursement of the \$2,528 that was not properly awarded. The actions proposed within the management response to recommendation 1 should ensure the University has a process in place to prevent the inappropriately awarding of scholarships.

**Estimated Completion Date:** July 31, 2016.

To ensure grant and cooperative agreement recipients are contributing the full amount of matching funds required, the Assistant Administrator for Procurement and the Associate Administrator for Education should:

**Recommendation 3:** Establish policies and procedures, as part of the NASA Grant and Cooperative Agreement Manual, to periodically review a recipient's actual cost match and document award requirements are met prior to obligating the next increment of funding.

**Management's Response:** Partially concur. Reporting requirements were included in the terms and conditions of the audited grant. The standard fiscal reporting requirements include the submission of a quarterly Federal Financial Report (SF 425) to the HHS Division of Payment Management. That report does not allow the recipient to submit the cost share amounts reported for any given quarter. The final SF 425, submitted to NASA at the end of the period of performance, is the time when cost share is reported.

At the end of the audited grant, cost share fund requirements were \$2,930,500.00 in accordance with supplement number 3 issued on April 11, 2012. The NSSC sent a copy of this supplement to the University of Texas at Austin, the Principal Investigator, and the NASA Technical Officer. The NSSC accepted the proposed budget, including the cost share amount that the University proposed and which met the minimum required cost share amount.

Regarding the addition of reporting requirements, please see 2 CFR 200.327, Financial Reporting of the Office of Management and Budget (OMB) Uniform Guidance:

*Performance and Financial Monitoring and Reporting  
§200.327 Financial reporting.*

*Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.*

NASA interprets this language to mean that additional reporting requirements should be weighed against the corresponding burden to the grantee in having to fulfill those requirements. To reduce and limit this burden, Federal entities are required to use standard reports, and OMB must approve any additional financial reporting. OMB's New Uniform Guidance did not add any additional cost share reporting requirements, and NASA's position is that its regulation and policy should be consistent with this Uniform Guidance.

NASA agrees that reviewing a recipient's actual cost match prior to obligating the next increment of funding has merit. However, NASA is concerned that this recommendation does not allow for the analysis of the total impact the recommended policy and procedures will have on NASA and its grantee community. NASA's position is that completing an impact assessment review relative to this recommendation, in conjunction with the Executive Director of the NSSC, will enable NASA to strategically develop sound and acceptable procedures in this regard while allowing the Agency to balance mission needs with further oversight. This assessment review will explore and analyze the feasibility of implementing policies and procedures for additional post-award cost share monitoring. The NASA Grant and Cooperative Agreement Manual will be updated accordingly.

**Estimated Completion Date:** September 30, 2017.

**Recommendation 4:** Coordinate with the Executive Director of the NSSC to train grant recipients and NASA technical and procurement personnel on the proper administration, monitoring, tracking, and reporting of recipients' actual costs matched.

**Management's Response:** Partially concur. Although NASA's position is that it monitored the audited grant in compliance with applicable regulation and policy, the

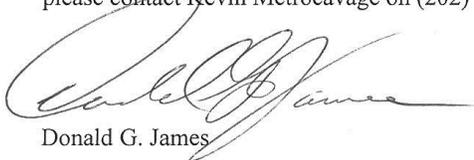
NSSC will be available to assist the Office of Procurement in any training efforts arising from the final audit report. Additionally, NASA will emphasize the responsibilities of cost matching in meetings with Space Grant recipients.

NASA agrees that monitoring, tracking, and reporting recipient's actual costs matched is an important administrative function. The training of grantees and NASA staff will be included in the impact assessment that is described in the management response to recommendation 3.

**Estimated Completion Date:** September 30, 2017.

We have reviewed the draft report for information that should not be publicly released. As a result of this review, we have not identified any information that should not be publicly released.

Once again, thank you for the opportunity to review and comment on the subject draft report. If you have any questions or require additional information regarding this response, please contact Kevin Metrocavage on (202) 358-1078.



Donald G. James

cc:  
Office of Procurement/Mr. McNally  
NASA Shared Services Center/Mr. Glorioso

## Enclosure III: Recipient's Comments



OFFICE OF SPONSORED PROJECTS  
THE UNIVERSITY OF TEXAS AT AUSTIN

P.O. Box 7726 • Austin, Texas 78713-7726 • (512) 471-6424 • Fax: (512) 471-6564 • (mc A9000)

January 26, 2016

Via E-mail to: Jim Morrison  
Assistant Inspector General for Audits  
NASA Office of Inspector General  
Suite 8U71, 300 E ST SW  
Washington, D.C. 20546-0001  
Email: [james.l.morrison@nasa.gov](mailto:james.l.morrison@nasa.gov)

Re: The University of Texas at Austin Response to Audit of NASA Space Grant Awarded to  
The University of Texas at Austin – Space Grant Consortium (A-15-012-00)

Mr. Morrison:

The University of Texas at Austin has reviewed the results of the recent audit conducted on the  
Texas Space Grant Consortium (A-15-012-00) and offers the following in response:

- 1) Scholarships Awarded to Non-U.S. Citizens - The University concurs with the finding. To ensure that the Space Consortium is not awarding fellowships or scholarships to non-U.S. citizens the Space Consortium has instituted the following changes effective January 2016:
  - a. The Space Consortium will add '**bold**' face font in the Proposal Announcement of Opportunity to Affiliates:
    - i. '**All Persons funded under this grant must be a U.S. citizen**'
      1. No funds are allowed to be disbursed to anyone who is not a U.S. citizen
  - b. On any subcontracts issued within the University, the Space Consortium will have the same language as noted above in a.
  - c. Regarding the \$2,528 that was awarded to a non-U.S. citizen the University will refund the amount when the Assistant Administrator for Procurement in conjunction with the Executive Director of the NSSC formally requests the return of funds.
- 2) Matching Requirement – The University concurs with the finding. The Space Consortium has instituted the following changes effective January 2016:
  - a. Grant guideline e-mails have gone out to the Principal Investigators of an awarded proposal with attached NASA Grant Guidelines and will, in the future, be attached to all internal Space Consortium projects, as well as, subcontracts.
  - b. Invoices received from subrecipients reflect program match
  - c. Continue to maintain a matching spreadsheet of actual matching dollars.

We hope the above responses to the findings will alleviate any of NASA's concerns regarding the Space Consortium and look forward to future funding opportunities.

Sincerely,

  
David Dockwiller, CRA  
Assistant Director  
Office of Sponsored Projects  
Sponsored Projects Award Administration