

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – University of Alaska Fairbanks

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

March 31, 2021
OIG 21-1-005





AT A GLANCE

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – University of Alaska Fairbanks

Report No. OIG 21-1-005

March 31, 2021

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company LLP (C&C) to conduct a performance audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the University of Alaska Fairbanks (UAF) for the period March 1 to September 30, 2020. The auditors tested approximately \$380,000 of the more than \$18.6 million of costs claimed to NSF. The objective of the audit was to determine if UAF used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether UAF complied with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

AUDIT RESULTS

The report highlights that there were no exceptions identified with UAF's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26, as detailed in Appendix A. However, the report identified concerns about UAF's compliance with certain Federal and NSF regulations, NSF award terms and conditions, and UAF policies not related to the COVID-19 flexibilities. The auditors questioned \$28,606 of costs claimed by UAF during the audit period. Specifically, the auditors identified \$14,964 in credits not appropriately returned, \$10,704 in inappropriately applied indirect costs, and \$2,938 in unallowable expenses. The auditors also identified one compliance related finding for which there were no questioned costs; UAF's incorrect application of proposed indirect cost rates. C&C 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 C&C's audit report.

RECOMMENDATIONS

The auditors included 4 findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure UAF strengthens administrative and management controls.

AUDITEE RESPONSE

UAF expressed varying levels of agreement and disagreement with the findings throughout the report. UAF's response is attached in its entirety to the report as Appendix D.

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



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

MEMORANDUM

DATE: March 31, 2021

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. 21-1-005, University of Alaska Fairbanks

This memorandum transmits the Cotton & Company LLP (C&C) report for the audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the University of Alaska Fairbanks (UAF) for the period March 1 to September 30, 2020. The audit encompassed approximately \$380,000 of the more than \$18.6 million claimed to NSF during the period. The objective of the audit was to determine whether UAF used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether UAF was complying with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

Please coordinate with our office during the 6-month resolution period, as specified by OMB 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

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

- reviewed C&C'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 C&C, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by C&C; 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 Billy McCain at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

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**PERFORMANCE AUDIT OF THE
UNIVERSITY OF ALASKA FAIRBANKS'S
IMPLEMENTATION OF THE
OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL**

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**NATIONAL SCIENCE FOUNDATION
 PERFORMANCE AUDIT OF THE UNIVERSITY OF ALASKA FAIRBANKS’S
 IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
 CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

I. BACKGROUND

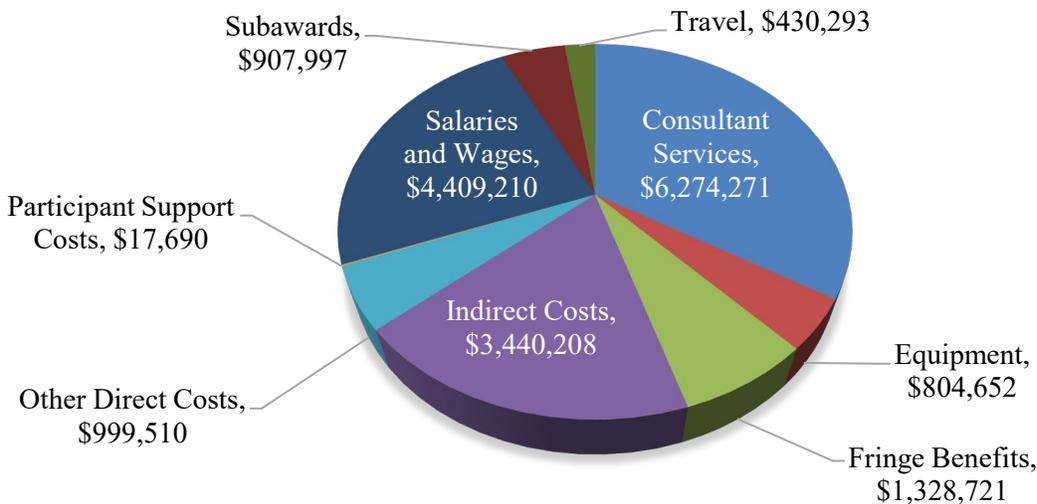
The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507).

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, the Office of Management and Budget (OMB) issued memoranda that provided temporary administrative flexibilities for Federal financial assistance awards. Subsequently, NSF published a variety of additional guidance for NSF awardees regarding how to implement these flexibilities, as outlined in the Objectives, Scope, and Methodology section of this report (**Appendix E**).

Recognizing the need to ensure NSF award recipients properly implemented these flexibilities, the NSF Office of Inspector General engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit to determine whether the University of Alaska Fairbanks (UAF) implemented the administrative flexibilities and, if so, whether it complied with the associated guidelines.

In performing this audit, we gathered and reviewed general ledger (GL) detail that supported more than \$18.6 million in expenses that UAF claimed on 165 NSF awards during our audit period of performance of March 1 to September 30, 2020, as illustrated in Figure 1.

Figure 1. Costs Claimed by NSF Budget Category, March 1 through September 30, 2020¹



Source: Auditor analysis of accounting data provided by UAF.

¹ The total award-related expenses reported in UAF’s GL exceeded the \$18,412,210 reported in NSF’s Award Cash Management Service (ACM\$); however, because the GL data materially reconciled to NSF’s ACM\$ records, we determined that the GL data was appropriate for the purposes of this engagement.

This performance audit, conducted under Order No. 140D0420F0653, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (**Appendix E**) and was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), 2018 Revision, issued by the Comptroller General of the United States. We communicated the results of our audit and the related findings and recommendations to UAF and NSF OIG. We included UAF’s response to this report in its entirety in **Appendix D**.

II. AUDIT RESULTS

We did not identify any exceptions with regard to UAF’s use of the administrative flexibilities granted through NSF’s implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26 (referred to as “COVID-19 flexibilities”), as detailed in **Appendix A**. Within the limited scope of our testing, we were able to gain an understanding of UAF’s implementation of the COVID-19 flexibilities and did not identify any instances in which UAF did not comply with the associated guidelines, as summarized below.

UAF did not specifically track the expenses that it incurred under the COVID-19 flexibilities within its accounting system; however, we gained an understanding of how UAF implemented these COVID-19 flexibilities, including how the implementation process fit within UAF’s overall grant management environment, by conducting a series of interviews with UAF staff. Based on this understanding and UAF’s responses to the OMB flexibilities survey included in **Appendix B**, we tailored our data analytics sampling approach to enable us to select 40 transactions that UAF incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.

We tested the 40 transactions sampled, which represented \$379,849² in costs that UAF charged to NSF awards during the audit period, and identified two examples in which UAF used the COVID-19 flexibilities that OMB granted and NSF implemented, as follows:

- UAF charged NSF Award No. [REDACTED] for \$155 in expenses that the Principal Investigator (PI) incurred to purchase face masks for team members to wear when traveling and working on grant-related projects at the [REDACTED] Laboratory.
- UAF charged NSF Award No. [REDACTED] for \$160 in conference registration fees that the conference provider did not refund after the conference was cancelled.³

While these expenses are not typically allowable on NSF awards, because these costs relate to the cancellation of events and other activities necessary and reasonable for the performance of

² The \$379,849 represents the total value of the 40 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.

³ We verified that UAF did not charge the NSF award for the \$285 in registration fees that the conference provider did refund.

these awards, consistent with flexibility seven of OMB Memorandum M-20-17,⁴ we noted no exception with UAF's uses of this flexibility.

Although we did not identify any exceptions related to UAF's use of the COVID-19 flexibilities, we determined that UAF needs improved oversight of expenses charged to NSF awards to ensure costs not related to the COVID-19 flexibilities are reasonable, allocable, and allowable in accordance with all relevant Federal and NSF regulations, NSF award terms and conditions, and UAF policies. Specifically, we identified and questioned \$28,606 of direct and indirect costs that UAF inappropriately claimed during the audit period, including:

- \$14,964 in credits not appropriately returned.
- \$10,704 in inappropriately applied indirect costs.
- \$2,938 in unallowable expenses.

We also identified one compliance-related finding, for which we did not question any costs:

- Incorrect application of proposed indirect cost rates.

We discuss the four findings in the *Audit Findings* sections below.

III. AUDIT FINDINGS

We provide a breakdown of the questioned costs by finding in **Appendix C** of this report.

Finding 1: Credits Not Appropriately Returned

Although both Federal⁵ and NSF guidance⁶ state that grantees should apply credits for reduced expenses as a cost reduction or cash refund on the relevant awards, UAF did not appropriately return \$14,964 in credits it applied to four NSF awards. As a result, the accounting data that UAF provided to support the costs it claimed during the audit period did not reconcile to the amount it claimed from NSF's Award Cash Management Service (ACMS), as illustrated in Table 1.a.

⁴ Flexibility seven of OMB Memorandum M-20-17 states that recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award, or the pausing and restarting of grant funded activities due to the public health emergency, are authorized to charge these costs to their award without regard to 2 CFR § 200.403, Factors affecting allowability of costs, 2 CFR § 200.404, Reasonable costs, and 2 CFR § 200.405, Allocable costs.

⁵ According to 2 Code of Federal Regulations (CFR) § 200.406(a), non-Federal entities must apply applicable credits to a Federal award either as a cost reduction or a cash refund, as appropriate, to the extent that the non-Federal entity accrued or received the applicable credits.

⁶ NSF *Proposal and Award Policies and Procedures Guides* (PAPPGs) 17-1, 18-1, and 19-1 Part II, Chapter VIII, Section D.5 state that grantees shall credit purchase discounts, rebates, allowances, and credits received against NSF award costs if NSF has not yet financially closed out the grant.

Table 1.a. ACMS Reconciliation Discrepancies

NSF Award No.	Total Claimed per NSF's ACMS	Total Expenses per UAF's GL	Reconciliation Discrepancy
	\$100,401	\$100,321	\$80 ⁷
	18,445	15,073	3,372
	11,967	5,262	6,705
	<u>36,885</u>	<u>32,078</u>	<u>4,807</u>
Total	<u>\$167,698</u>	<u>\$152,734</u>	<u>\$14,964</u>

Source: Auditor reconciliation of NSF ACMS draws to expenses supported by UAF's GL.

UAF did not have sufficient training procedures in place to ensure that UAF personnel appropriately drew down funding in ACMS. As a result, the UAF employee responsible for the ACMS draw process did not realize they could report negative amounts in ACMS and therefore did not always appropriately return credits to NSF.⁸ We are therefore questioning \$14,964 associated with credits that UAF had not appropriately returned to NSF as of September 30, 2020, as illustrated in Table 1.b.

Table 1.b. Credits Not Appropriately Returned

Description	NSF Award No.	Fiscal Year	Questioned Costs			UAF Agreed to Reimburse
			Direct	Indirect	Total	
Credits Not Appropriately Returned		2021	\$80	\$0	\$80	\$0
		2021	3,372	0	3,372	0
		2021	6,705	0	6,705	0
		2021	<u>4,807</u>	<u>0</u>	<u>4,807</u>	<u>0</u>
Total			<u>\$14,964</u>	<u>\$0</u>	<u>\$14,964</u>	<u>\$0</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct UAF to provide documentation supporting that it has repaid or otherwise credited the \$14,964 of questioned Award Cash Management Service drawdowns associated with unreturned credits.⁹

⁷ The GL data UAF provided in response to our audit did not include the credit(s) that caused this discrepancy.

⁸ UAF appropriately applied credits to NSF awards when it incurred costs that exceeded the total expenses credited to the award in the month following the credit adjustment(s).

⁹ While UAF did not agree to this finding, UAF personnel noted that these unreturned credits were returned to NSF in October 2020.

2. Direct UAF to provide additional training to the individual(s) responsible for making draws within NSF's Award Cash Management Service system to ensure that UAF appropriately incorporates credits when calculating the total amount to draw down from, or return to, NSF.

University of Alaska Fairbanks Response: UAF disagreed with the questioned costs in this finding, stating that it returned the credits to NSF in October 2020, prior to the audit. However, UAF did note that it updated its ACM\$ drawdown procedures and conducted additional training to ensure that it appropriately returns credits in the future.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, although UAF stated that it took action to return these credits prior to the audit, because UAF appears to have identified the unreturned credits—most of which appear to relate to expenses that UAF removed from the NSF award(s) in June or July 2020—as a result of the reconciliation it performed in response to our audit request, our position regarding this finding has not changed.

Finding 2: Inappropriately Applied Indirect Costs

UAF's Negotiated Indirect Cost Rate Agreement (NICRA) states that UAF applies its indirect cost rate to a Modified Total Direct Cost (MTDC) base that excludes participant support and equipment costs.¹⁰ However, UAF charged two NSF awards a total of \$10,704 in indirect costs that it inappropriately applied to participant support and equipment costs.¹¹ Specifically:

- Between March and May 2020, UAF inadvertently charged NSF Award No. [REDACTED] for \$7,299 in indirect costs applied to an account it established to track participant support costs for this award.¹²
 - *UAF agreed to reimburse NSF for these expenses.*
- In July 2020, UAF charged NSF Award No. [REDACTED] for \$3,405 in indirect costs applied to equipment expenses¹³ it inadvertently charged to a materials and supplies account included in UAF's MTDC base.
 - *UAF agreed to reimburse NSF for these expenses.*

¹⁰ UAF's NICRAs dated March 27, 2015, and June 25, 2018, state that the MTDC distribution base excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward that exceeds \$25,000. Further, per 2 CFR § 200.68, MTDCs exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of a subaward that exceeds \$25,000.

¹¹ NSF PAPPGs 18-1 and 19-1, Part I, Chapter II, Section C.2.g. (viii) state that grantees should calculate indirect costs (F&A) using the approved base(s).

¹² NSF PAPPG 18-1, Part I, Chapter II, Section C.2.g.(v) states that indirect costs (F&A) are not allowed on participant support costs.

¹³ According to 2 CFR § 200.33 and NSF PAPPG 19-1, Part I, Chapter II, Section C.2.g.(iii), equipment is tangible personal property having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds \$5,000.

UAF did not have sufficient training procedures in place to ensure that UAF personnel appropriately record all participant support and equipment costs in account codes that do not apply indirect costs. We are therefore questioning \$10,704 of inappropriately applied indirect costs charged to two NSF awards. UAF concurred with the full \$10,704 in questioned costs, as illustrated in Table 2.

Table 2. Inappropriately Applied Indirect Costs

Description	NSF Award No.	Fiscal Year	Questioned Costs			
			Direct	Indirect	Total	UAF Agreed to Reimburse
March – May 2020 Participant Support Costs	██████	2020	\$0	\$7,299	\$7,299	\$7,299
July 2020 Equipment	██████	2021	<u>0</u>	<u>3,405</u>	<u>3,405</u>	<u>3,405</u>
Total			<u>\$0</u>	<u>\$10,704</u>	<u>\$10,704</u>	<u>\$10,704</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct UAF to provide documentation supporting that it has repaid or otherwise credited the \$10,704 of questioned indirect costs for which it has agreed to reimburse NSF.
2. Direct UAF to strengthen its administrative and management processes and training procedures for ensuring that it appropriately applies indirect costs to costs charged to Federal awards. Updated processes could include:
 - a. Requiring an annual review of sponsored award accounts that UAF established to track participant support costs to ensure that the accounts do not apply indirect costs.
 - b. Requiring that personnel manually review purchase card transactions that exceed \$5,000 to evaluate whether UAF should account for the purchase(s) as equipment.

University of Alaska Fairbanks Response: UAF agreed to reimburse NSF for the questioned costs and stated that it will monitor participant support costs and equipment transactions on purchase cards to limit the inappropriate application of indirect costs in the future.

Auditors’ Additional Comments: Our position regarding this finding has not changed.

Finding 3: Unallowable Expenses

UAF charged four NSF awards a total of \$2,938 in expenses that were unallowable under Federal¹⁴ and NSF regulations.¹⁵ Specifically:

- In July 2020, UAF charged NSF Award No. [REDACTED] for \$1,691 in costs incurred to rent an excavator that UAF purportedly used to repair and install roadwork from July 27 to July 31, 2020. UAF stated that the excavator costs should be directly allocable to this award because UAF used the excavator to repair the road to a field research site that is not maintained by the local government. However, because UAF did not maintain any documentation to support the actual use of the excavator, to verify that UAF allocated the expenses based on the relative benefits the award received, or to support that it was reasonable for UAF to charge road repair costs directly to this award, the excavator rental costs are unallowable.
 - *UAF agreed to reimburse NSF for these expenses.*
- In June 2020, UAF charged NSF Award No. [REDACTED] for \$971 in airfare expenses that a non-UAF employee claimed on an expense report requesting reimbursement for a flight for which the traveler received a \$971 travel credit. Because UAF received the traveler's airfare credit, and because UAF policy states that travelers should not submit expense reports that include unused travel credit(s) until they use the travel credit, UAF should not have charged the airfare expense to this NSF award.¹⁶
 - *UAF agreed to reimburse NSF for these expenses.*
- In March 2020, UAF charged NSF Award No. [REDACTED] for \$184 in costs incurred to pay a 3 percent credit card convenience fee invoiced by an equipment vendor. Because UAF's use of a credit card to purchase this equipment does not appear to have been reasonable or necessary, the convenience fee is unallowable.
 - *UAF agreed to reimburse NSF for these expenses.*
- In March 2020, UAF charged NSF Award No. [REDACTED] for \$92 in unallowable per diem for travel taken on March [REDACTED] 2020. UAF reimbursed the traveler for per diem based on

¹⁴ According to 2 CFR § 200.403, for a cost to be allowable, it must be necessary and reasonable for the performance of the Federal award, be allocable to the award, conform to any limitations or exclusions applicable to the award, and be adequately documented.

¹⁵ NSF PAPPG 19-1, Part I, Chapter II, Section C.2.g. states that grantees may request funds if the item and amount are considered necessary, reasonable, and allowable under 2 CFR § 200, Subpart E.

¹⁶ According to UAF's *Using UAF Travel Reports* policy, airfare charges for a cancelled flight that results in an unused ticket credit must remain on a "Dummy" expense report until the traveler uses the credit.

their original travel itinerary; however, because the traveler returned a day early, only \$41 of the \$133 that UAF charged for that date's per diem is allowable.¹⁷

- o UAF agreed to reimburse NSF for these expenses.

UAF did not have sufficient training procedures in place to ensure personnel only charged reasonable, allowable, and sufficiently documented expenses to NSF awards. We are therefore questioning \$2,938 in unallowable expenses charged to four NSF awards. UAF concurred with the full \$2,938 in questioned costs, as illustrated in Table 3.

Table 3. Unallowable Expenses

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	UAF Agreed to Reimburse
July 2020 Excavator Rental	██████	2021	\$1,691	\$0	\$1,691	\$1,691
June 2020 Travel Credit	██████	2020	971	0	971	971
March 2020 Convenience Fee	██████	2020	184	0	184	184
March 2020 Per Diem	██████	2020	67	25	92	92
Total			<u>\$2,913</u>	<u>\$25</u>	<u>\$2,938</u>	<u>\$2,938</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct UAF to provide documentation supporting that it has repaid or otherwise credited the \$2,938 of questioned travel and other direct costs for which it has agreed to reimburse NSF.
2. Direct UAF to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional controls to help ensure that UAF appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs.
3. Direct UAF to provide additional training regarding the types of travel expenses that are allowable and unallowable under Federal and NSF regulation and UAF policy. This training should specifically address how to account for expenses claimed by non-UAF employees for which UAF has received a travel credit.

¹⁷ UAF reimbursed the PI for 75 percent of the \$96.50 U.S. Department of Defense per diem rate for ██████ Alaska, where the employee was scheduled to start ██████ day. However, because the PI returned to Fairbanks on March ██████ 2020, ██████, the per diem calculation should have been \$30, or 50 percent of the Fairbanks, Alaska per diem rate, as allowed in UAF's Per Diem, Meals and Incidental Expenses policy.

4. Direct UAF to establish clear guidance regarding the allowability of credit card convenience fees.
5. Direct UAF to strengthen its administrative and management processes and procedures surrounding the approval of travel expense reports. Updated procedures could include:
 - a. Conducting annual training for those individuals responsible for reviewing and approving expense reports within each department.
 - b. Requiring personnel to perform additional procedures when a traveler diverts from their original travel itinerary.

University of Alaska Fairbanks Response: UAF agreed to reimburse NSF for the questioned costs and stated that it is in the process of applying additional controls to appropriately maintain documentation for sponsored programs, adapting training to address allowable and unallowable travel costs specific to non-UAF employees, establishing clear policies on the allowability of credit card fees, and issuing training to address what travel costs are unallowable on expense reports.

Auditors’ Additional Comments: Our position regarding this finding has not changed.

Finding 4: Incorrect Application of Proposed Indirect Cost Rates

UAF inappropriately applied the indirect cost rate proposed in the award budget, which was often UAF’s provisional rate, rather than the rate(s) included in the NICRA in effect as of the date of the award, as required by applicable Federal¹⁸ and NSF guidance.¹⁹ As a result, UAF inappropriately applied indirect cost rates to direct expenses accumulated on 11 NSF awards, as illustrated in Table 4.

Table 4. Incorrect Application of Proposed Indirect Cost Rates

NSF Award No.	Award Date	Applied Rate	Appropriate Rate
	8/1/2013	50.0%	50.5%
	5/14/2014	50.0%	50.5%
	9/14/2018	50.5%	55.0%
	7/20/2018	37.2%	38.5%
	6/28/2019	50.5%	55.0%
	8/7/2018	50.5%	55.0%
	11/5/2018	50.5%	55.0%

¹⁸ According to 2 CFR Part 200, Appendix III, Section C.7, when identifying and computing indirect costs at Institutions of Higher Education, Federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the award.

¹⁹ In addition to noting that Institutions of Higher Education must use the negotiated rates in effect at the time of the initial award throughout the life of the award, NSF PAPPGs 17-1, 18-1, and 19-1 Part I, Chapter II, Section C.2.g.(viii) state that the use of an indirect cost rate lower than the organization’s current negotiated indirect cost rate is considered a violation of NSF’s cost-sharing policy.

NSF Award No.	Award Date	Applied Rate	Appropriate Rate
	8/9/2019	50.5%	55.0%
	9/16/2019	50.5%	55.0%
	11/27/2019	50.5%	55.0%
	8/25/2019	37.2%	38.5%

Source: Auditor summary of identified exceptions.

Because UAF did not overcharge NSF for indirect costs during the audit period, we did not question any costs associated with this finding. However, we did note a compliance finding, as UAF’s current methodology does not comply with Federal regulations and could cause UAF to overcharge NSF for indirect costs if UAF’s NICRA-approved indirect cost rates were to decrease in future periods.

Recommendation

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

1. Direct UAF to update its current practices for establishing indirect cost rates to ensure that UAF applies indirect costs to NSF awards using the rate(s) established in the appropriate Negotiated Indirect Cost Rate Agreement.

University of Alaska Fairbanks Response: UAF disagreed with this finding, stating that it applies its provisional rates to awards received during provisional rate periods and its negotiated rates to awards received during negotiated periods.

Auditors’ Additional Comments: Our position regarding this finding has not changed. Specifically, although NSF awarded some of these grants during provisional rate periods, because provisional rates are not negotiated rates,²⁰ UAF should have replaced the provisional rates it applied to these awards with the negotiated rates approved for the period in which NSF awarded the grants after UAF received the applicable NICRAs.²¹ Because UAF’s response does not justify the use of the budgeted rates applied, our position regarding this finding has not changed.

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
March 30, 2021

²⁰ According to 2 CFR 200, Appendix III, Section C.7, “negotiated rates” include final, fixed, and predetermined rates and exclude provisional rates.

²¹ According to 2 CFR 200, Appendix III, Section C.6, entities may replace provisional rates with fixed or predetermined rates at any time during the year. If the entity does not replace the provisional rates before the end of the year, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period.

**APPENDIX A: UNIVERSITY OF ALASKA FAIRBANKS'S IMPLEMENTATION OF OMB AND NSF'S
COVID-19 FLEXIBILITIES**

UNIVERSITY OF ALASKA FAIRBANKS'S IMPLEMENTATION OF OMB AND NSF'S COVID-19 FLEXIBILITIES

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
M-20-17	1. Flexibility with SAM registration	No	Not Applicable. Because UAF's SAM registration does not expire until July 29, 2021, it did not need to implement this flexibility.
	2. Flexibility with application deadlines	Yes	No Exceptions Noted. UAF extended its proposal deadlines consistent with the extensions that NSF granted, but noted that it did not rescind or resubmit any grant proposals as a result of implementing this flexibility.
	3. Waiver for Notice of Funding Opportunities (NOFOs) Publication	No	Not Applicable. This flexibility is not applicable to NSF awards.
	4. No-cost extensions on expiring awards	Yes	No Exceptions Noted. UAF submitted an above-average number of no-cost extensions during the flexibility period but noted that the no-cost extensions were subject to the same monitoring and approval policies and procedures it had in place prior to the pandemic.
	5. Abbreviated non-competitive continuation requests	Yes	No Exceptions Noted. UAF established a sponsor notification and request form and tracker to track all flexibility requests, including non-competitive continuation requests. UAF's tracker did not include any requests specific to the flexibility. NSF directed grantees to process project continuations through the annual report process, rather than making continuation requests through the tracker. UAF expected that it would follow similar procedures. Further, we did not identify any exceptions specific to continuation requests during our sample testing.
	6. Allowability of salaries and other project activities	Yes	<p>No Exceptions Noted. Although UAF indicated that it had implemented this flexibility, UAF personnel did not submit any requests to the UAF Office of Grants and Contracts Administration with regard to charging salaries when an employee was unable to work. UAF expected that it would not charge salary costs for personnel who were unable to work at home or on-site until it had discussed the question with the sponsor and the Office of Grants and Contracts Administration. Further, UAF expected that personnel would only charge the actual hours for each project.</p> <p>In performing our salary sample testing, we did not identify any instances indicating that UAF used this flexibility. Each employee sampled appeared to be capable of performing award research from home, was able to continue working at their specialized field site, or appropriately charged time they were not able to work as a result of COVID-19 consistent with the University of Alaska's implementation of the Federal Families First Coronavirus Response Act, which allowed UAF to provide up to 80 hours of paid emergency sick leave to health plan-eligible employees for various reasons related to COVID-19.</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
	7. Allowability of costs not normally chargeable to awards	Yes	<p>No Exceptions Noted. UAF responded yes because, although it was not specifically aware of personnel having charged any expenses that would normally be unallowable or outside of the sponsored award budgets, it anticipated that such charges may exist. UAF's Office of Grants and Contracts Administration issued guidance on its website to instruct researchers regarding how to request approval and track charges. Further, the Office of Grants and Contracts Administration expected that it would review any questionable purchases and include any such purchases in its tracker; however, no such instances were included in the tracker.</p> <p>Although our testing revealed 19 samples that were impacted by COVID, only 2 used this flexibility. One sample included airfare that the traveler charged for which UAF received a credit, as well as the portion of a conference registration fee that the conference provider did not reimburse after the conference was cancelled. The second sample included costs incurred to purchase masks for the team's use during travel. Neither sample presented an exception that was specific to the flexibility.</p> <p>Separate from the use of this flexibility, we identified three instances in which UAF purchased equipment prior to the pandemic but then charged the equipment to COVID-19 supplemental funding at the direction of NSF. We also identified expenses that UAF incurred under RAPID grants issued in response to the pandemic.</p>
	8. Prior approval requirement waivers	Yes	<p>No Exceptions Noted. UAF used its sponsor notification and request form and tracker to track all flexibility requests. Across the 43 requests that UAF tracked, only one request was specific to the prior approval requirements. UAF had one award that specifically requested UAF to re-budget participant support costs. We performed data analytics and found that UAF had not charged any participant support costs to the award during the period included in our scope, and our testing across the sample population did not reveal any exceptions specific to prior approval requirements.</p>
	9. Exemption of certain procurement requirements	No	<p>Not Applicable. UAF did not make any changes to its internal procurement requirements.</p>
	10. Extension of financial, performance, and other reporting	Yes	<p>No Exceptions Noted. Although UAF indicated that it had implemented this flexibility, UAF personnel did not submit any requests to the Office of Grants and Contracts Administration regarding extensions for final project reports. Further, although NSF waived the requirement to execute the annual inventory reporting for federally owned property, UAF stated that it had completed its inventory procedures and no equipment was missing. We did not identify any exceptions specific to unaccounted-for equipment inventory during our equipment testing.</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
	11. Extension of currently approved indirect cost rates	No	Not Applicable. UAF did not request or receive an extension related to its NICRA.
	12. Extension of closeout	Yes	No Exceptions Noted. Although UAF indicated that it had implemented this flexibility, UAF personnel did not submit any requests to the Office of Grants and Contracts Administration regarding extensions for final project reports and project outcome reports. Further, UAF did not change its monitoring procedures around report extensions and expected report extension requests to follow those procedures, in addition to notifying the Office of Grants & Contracts Administration of these requests through its tracking form. Our testing did not reveal any exceptions regarding the closeout of final reports or project outcome reports.
	13. Extension of Single Audit submission	No	Not Applicable. UAF did not request or receive an extension related to the submission of its Single Audit.
M-20-20	1. Donations of medical equipment and other resources purchased/ funded under Federal financial assistance in support the COVID-19 response	Yes	No Exceptions Noted. Although UAF indicated that it had implemented this flexibility, UAF personnel did not submit any requests to the Office of Grants and Contracts Administration with regard to donating medical equipment. UAF implemented a process to track any requests to donate personal protective equipment (PPE); however, UAF noted that it was possible for personnel to obtain approval to donate PPE from NSF without notifying the Office of Grants & Contracts Administration. Our testing of other direct costs and materials and supplies did not reveal any instances in which UAF personnel repurposed Federal funding to support the COVID-19 pandemic.
M-20-26	1. Extension of allowability of salaries and other project activities through September 30, 2020	Yes	No Exceptions Noted. Although UAF indicated that it had implemented this flexibility, UAF personnel did not submit any requests to the UAF Office of Grants and Contracts Administration with regard to charging salaries when an employee was unable to work. UAF expected that it would not charge salary costs for personnel who were unable to work at home or on-site until it had discussed the question with the sponsor and the Office of Grants and Contracts Administration. Further, UAF expected that personnel would only charge the actual hours for each project. Each individual included in our salary sample appeared to be capable of working on their sponsored research from home. In terms of exhausting other resources prior to charging the award under this flexibility, UAF specified that it could have used Foundation funds to pay employee salaries at times, but that any costs incurred would have to meet the Foundation's criteria first. We did not identify any instances in which UAF used this flexibility during our salary sample testing.
	2. Extension of Single Audit submission and COVID-19 emergency acts fund reporting through December 31, 2020	No	Not Applicable. UAF did not request or receive an extension related to the submission of its Single Audit.

APPENDIX B: UNIVERSITY OF ALASKA FAIRBANKS'S OMB FLEXIBILITY SURVEY RESPONSE

UNIVERSITY OF ALASKA FAIRBANKS'S OMB FLEXIBILITY SURVEY RESPONSE

Question No.	During the COVID 19 Pandemic, has your organization...	Awardee Response
1	Issued any subawards to grantees with expired SAM.gov registrations?	No
2	Rescinded and resubmitted grant proposals as a result of extended proposal deadlines?	No
3	Made any changes to its ACMS\$ draw-down methodology?	No
4	Submitted more no-cost extension requests than it typically does in an average 6-month period?	Yes
5	Established a new policy for charging salaries to projects during unexpected or extraordinary circumstances?	Yes
6	Allowed salaries, stipends, and benefits to continue to be charged even if the personnel were unable to conduct the research?	Yes
7	Allowed researchers to continue to perform on-campus research?	Yes
8	Allowed researchers to perform sponsored research off-campus?	Yes
9	Allowed personnel to perform research during the academic year that would typically be performed during a summer month?	Yes
10	Issued any additional guidance regarding how employees should track or certify effort while the campus was closed?	Yes
11	Issued any guidance limiting an employee's ability to book NSF sponsored travel?	Yes
12	Required students and/or employees to cancel previously planned trips?	Yes
13	Established a new policy for charging costs associated with the cancellation of events or travel?	Yes
14	Received any travel credits that related to airfare, lodging, or other travel expenses charged to NSF funding sources?	Yes
15	Hosted any on-campus NSF Research Experience for Undergraduate (REU) programs/activities?	No
16	Been required to cancel or re-schedule any NSF REU programs/activities?	No
17	Been required to adapt previously planned NSF REU programs/activities to a virtual format?	No
18	Been required to quarantine any students scheduled to participate in an NSF REU program?	No
19	Been required to cancel or re-schedule any non-REU NSF sponsored on-campus events?	No
20	Used NSF funding to sponsor virtual conferences or other virtual events/programs?	Yes
21	Been required to incur any unusual travel costs to ensure students/employees were able to return to the U.S. after performing NSF sponsored travel (such as extended travel times due to lack of flight availability/quarantine requirements, or costs incurred to charter an aircraft)?	Yes
22	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) to allow students/employees to continue performing research?	Yes
23	Changed the scope or objectives of any of the research being performed on any of your NSF Awards?	Yes
24	Rebudgeted any NSF award participant support cost funding?	Yes
25	Issued any additional subaward agreements to perform NSF Award research?	Yes
26	Allowed employees to incur costs greater than 90 days before an NSF grant became effective?	Yes
27	Issued any guidance regarding authority to rebudget funding during the Pandemic?	Yes
28	Made any changes to its procurement policies or procedures?	Yes
29	Used NSF funding to purchase equipment?	Yes
30	Continued to perform annual inventory reporting?	Yes
31	Applied indirect costs using a provisional negotiated indirect cost rate?	No
32	Made any changes to the manner in which it identifies and classifies direct/indirect costs?	No
33	Implemented any additional flexibilities related to submitting final project reports or other grant close-out procedures as a result of COVID?	No
34	Issued any subawards to grantees performing research on NSF sponsored awards who did not have a Single Audit Report published for the most recent audit year?	Yes
35	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) that were donated to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	Yes
36	Donated any medical equipment purchased with NSF funds prior to March 2020 to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	Yes

Question No.	During the COVID 19 Pandemic, has your organization...	Awardee Response
37	Received a Paycheck Protection Program loan or any Coronavirus Aid, Relief, and Economic Security (CARES) Act program funding?	Yes
38	Provided any guidance to subawardees regarding how personnel costs can/should be billed during the Pandemic?	Yes
39	Identified and exhausted all non-Federal funding sources to sustain your workforce before claiming costs for salaries that did not directly benefit NSF awards?	Yes
40	Implemented any steps to save overall operational costs (such as rent renegotiations)?	Yes
41	Implemented any changes in response to the updated solicitation guidance included in NSF 18-515, 18-584, 20-545, 20-546, or 20-562?	Yes
42	Received any NSF awards to perform research that involves human-subjects prior to receiving Institutional Review Board (IRB) approval?	No
43	Received any NSF awards to perform research that involves vertebrate animals prior to receiving approval from an Institutional Animal Care and Use Committee (IACUC)?	No
44	Operated an NSF sponsored Major Facility?	Yes
45	Allowed any Principal Investigators to disengage from an NSF Award for more than 3 months?	No
46	Changed the cost-sharing requirements previously established for any NSF awards?	No
47	Encumbered any real property with Federal funds?	No
48	Provided resources or oversight of any NSF Small Business Innovation Research Program (SBIR) or Small Business Technology Transfer (STTR) Awards?	No

Question No.	During the COVID 19 Pandemic, has your organization used NSF Funding to cover...	Response
49	Expenses associated with fines, penalties, or other damages?	No
50	Fund-raising expenses?	No
51	Costs of housing (e.g. depreciation, maintenance, utilities, furnishings, rent), housing allowances or personal living expenses?	No
52	Insurance or indemnification expenses?	No
53	Costs of memberships in civic or community organizations?	No
54	Costs associated with selling and marketing (other than costs allowed under 2 CFR §200.421 Advertising and public relations)?	No
55	Dependent care costs for trips greater than 6 months?	No
56	Costs of entertainment, amusement, diversion or social activities (with programmatic purpose)?	No
57	Severance payments to foreign nationals that exceed the amounts customary in the US?	No
58	Salary earned at a rate higher than an employee's established institutional base salary?	No
59	Unbudgeted administrative salary costs?	No
60	Costs incurred to purchase real property or to perform construction activities related to improving capital assets?	No
61	Costs incurred to allow employees to perform research or otherwise work from home?	Yes

APPENDIX C: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0420F0653
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
UNIVERSITY OF ALASKA FAIRBANKS

SCHEDULE OF QUESTIONED COSTS BY FINDING

	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Credits Not Appropriately Returned	\$14,964	\$0	\$14,964
2	Inappropriately Applied Indirect Costs	0	10,704	10,704
3	Unallowable Expenses	0	2,938	2,938
4	Incorrect Application of Proposed Indirect Cost Rates	<u>0</u>	<u>0</u>	<u>0</u>
Total		<u>\$14,964</u>	<u>\$13,642</u>	<u>\$28,606</u>

APPENDIX D: UNIVERSITY OF ALASKA FAIRBANKS'S RESPONSE



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March 26, 2021

Megan Mesko, CPA, CFE
Partner
333 John Carlyle Street, Suite 500
Alexandria, VA 22314

RE: Performance Audit of the University of Alaska Fairbank's Implementation of the Office of Management and Budget Coronavirus Disease 2019 Flexibilities

Dear Ms. Mesko,

The University of Alaska Fairbanks (referred to as "UAF") has reviewed the draft audit report issued by Cotton and Cotton LLP on behalf of the National Science Foundation (NSF).

UAF's formal response addressing each audit finding follows. Although the Audit Report contains a number of findings, UAF does not believe these findings reflect systemic issues in its award management systems. UAF believes the sponsored program award management environment controls and charges costs consistent with Federal and NSF regulations, NSF award terms and conditions, and UAF policy.

Finding 1: Credits Not Appropriately Returned - UAF Response

UAF partially concurs with Cotton & Company's finding and recommendations regarding credits not appropriately returned. UAF believes the policies, procedures, and internal controls are effectively designed to maintain and manage UAF's drawdown process for sponsored programs, but UAF also agrees there is opportunity to strengthen current procedures and training regarding the drawdown process. UAF contends that all drawdowns made against NSF's Award Cash Management Service (ACM\$) are supported by transactions recorded in the UAF General Ledger. While credits were available as September 30, 2020, those credits were appropriately handled and draw-down procedures were addressed via training with the appropriate personnel. Specifically:

- UAF disagrees with Recommendation 1. UAF has reimbursed NSF for all credits and the credits were resolved in October 2020. UAF took actions prior to the audit.
- UAF agrees with Recommendation 2. Additional training has been given and draw-down procedures have been updated to reflect the management of NSF credits. The training was conducted in October 2020. UAF took actions prior to the audit.

Finding 2: Inappropriately Applied Indirect Costs – UAF Response

UAF concurs with Cotton & Company's finding and recommendations regarding inappropriately applied indirect costs. Although UAF believes the policies, procedures, and internal controls are effectively designed to maintain and manage UAF's charging of costs to certain accounts, UAF agrees there is opportunity to strengthen current procedures and training to maintain an effective application of indirect costs to certain accounts and transactions. UAF agrees to reimburse NSF for the questioned costs and will monitor participant support costs and equipment transactions on pro-cards to limit indirect costs from being inappropriately applied. Specifically:

- UAF agrees with Recommendation 1. \$3,405 was returned to NSF in December 2020. The remaining balance of \$7,298.63 will be returned at the end of March 2021.
- UAF agrees with Recommendation 2. UAF will continue to review sponsored award accounts and will work with units on training and tracking of participant support costs related to indirect costs.
- UAF agrees with Recommendation 2. UAF is working with University of Alaska Procurement and Contract Services for appropriate review of pro-card transactions regarding equipment. Funds have been credited and returned to NSF.

Finding 3: Unallowable Expenses – UAF Response

UAF concurs with Cotton & Company's finding and recommendations regarding unallowable expenses. Although UAF believe the policies, procedures, and internal controls are effectively designed to maintain and manage UAF's sponsored programs, UAF agrees there is opportunity to strengthen current procedures and training to limit any unallowable expenses. UAF agrees to reimburse NSF for the questioned costs. Further, UAF is in the process of applying additional controls to appropriately maintain documentation for sponsored programs, adapting training to address allowable and unallowable travel costs specific to non-UAF employees, establishing clear policies on the allowability of credit card fees, and issuing training to address what travel costs are unallowable on expense reports. Specifically:

- UAF agrees with Recommendation 1 and will reimburse funds to NSF.
- UAF agrees with Recommendation 2. UAF is working with units to ensure additional controls are appropriately created, maintained and all documentation necessary to support the allowability of expenses charged to sponsored programs.
- UAF agrees with Recommendation 3. UAF is working with the University of Alaska Travel and UAF Travel to ensure training on types of travel expenses that are allowable and unallowable under Federal and NSF regulation and UAF policy. This training will specifically address how to account for expenses claimed by non-UAF employees for which UAF has received a travel credit.

- UAF agrees with Recommendation 4. UAF is working with University of Alaska Procurement and Contract Services to ensure and establish clear guidance regarding the allowability of credit card convenience fees.
- UAF agrees with Recommendation 5. UAF will conduct adequate training to units to identify and address unallowable expenses during the approval of travel expense reports.

Finding 4: Incorrect Application of Proposed Indirect Cost Rates – UAF Response

UAF does not concur with Cotton & Company’s finding and recommendations regarding the incorrect application of proposed indirect cost rates. UAF applied the rates in effect at the time an award was granted. Specifically:

- UAF disagrees with the Recommendation 1. UAF applied the provisional rate to awards made during the provisional rate period. When a negotiated rate was put in place the negotiated rate was applied to new awards.

In closing, we would like to thank you and your staff for the professionalism exhibited throughout the audit process.

Sincerely,



Digitally signed by Rosemary Madnick
DN: cn=Rosemary Madnick, o=University
of Alaska Fairbanks, ou=Office of Grants
and Contracts Administration,
email=rosemary.madnick@uaf.edu
Date: 2021.01.26 08:17:30 -0900

Rosemary Madnick
Executive Director, Office of Grants and Contracts Administration

APPENDIX E: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit, the objective of which was to determine whether UAF used the administrative COVID-19 flexibilities authorized by OMB and implemented by NSF, and, if so, whether UAF was complying with the associated guidelines.

To complete this limited-scope performance audit, we performed the following steps, as outlined within our NSF OIG-approved audit plan:

- Gained an understanding of the audit requirements, which included developing an audit program that ensured the audit team would complete all the steps outlined in the approved audit plan.
 - This included determining whether internal controls and/or information systems were significant to the audit objectives.
- Gained an understanding of applicable Federal²² and NSF criteria,²³ including the following guidance that OMB and NSF published in response to the COVID-19 pandemic:
 - [M-20-17 Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-17](#)
 - [M-20-20 Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus \(COVID-19\)](#)
 - [NSF Implementation of OMB Memorandum M-20-20](#)
 - [M-20-26 Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-26](#)
 - [Important Notice No. 146 - NSF Letter to Community Regarding COVID-19](#)
 - [Impact on Existing Deadline Dates](#)
 - [Impact on Solicitations](#)
 - [NSF Guidance on the Effects of COVID-19 on Human Subjects Research](#)
 - [NSF Guidance on the Effects of COVID-19 on Vertebrate Animal Research](#)
 - [NSF Guidance for Major Facilities and Contracts Regarding COVID-19](#)
 - [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Proposers and Awardees](#)

²² We assessed UAF’s compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 2 CFR Part 220, *Cost Principles for Educational Institutions* (OMB Circular A-21); and 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), as appropriate.

²³ We assessed UAF’s compliance with *NSF Proposal and Award Policies and Procedures Guides* 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, 19-1, and 20-1 and with NSF award-specific terms and conditions, as appropriate.

- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF SBIR and STTR Grantees](#)
- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF Major Facility Cooperative Agreement Recipients](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for REU Sites, RET Sites, IRES Sites, and Similar Activities](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Panelists](#)
 - In planning and performing this audit, we considered UAF’s internal controls, within the audit’s scope, solely to understand whether the directives/policies and procedures UAF has in place ensure charges against NSF awards comply with relevant Federal regulations and NSF award terms.
- Requested, obtained, and reviewed UAF documentation to ensure we had sufficient, appropriate documentation to allow us to schedule applicable interviews and to select our audit sample.
 - Our work required us to rely on computer-processed data obtained from UAF and NSF OIG. NSF OIG provided award data that UAF reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that UAF provided by (a) comparing the costs charged to NSF awards per UAF’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that UAF submitted to NSF during the audit’s period of performance; and (b) reviewing the parameters that UAF used to extract transaction data from its accounting systems. We identified one finding related to discrepancies between the amounts supported by UAF’s general ledger and the amounts that UAF claimed per NSF’s ACM\$ system (See Finding 1); however, we found UAF’s computer-processed data to be sufficiently reliable for the purposes of the audit, as UAF was able to provide justification for all discrepancies identified.
 - We found NSF’s computer-processed data to be sufficiently reliable for the purposes of this audit. We did not review or test whether the data contained in, or the controls over, NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for FY 2020 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.
 - UAF provided detailed transaction-level data to support all costs charged to NSF awards during the period. This data resulted in a total audit universe of \$18,612,552 in costs claimed on 165 NSF awards.

- Gained an understanding of whether and how UAF implemented the COVID-19 flexibilities granted by OMB and implemented by NSF by:
 - Analyzing UAF's responses to the COVID-19 flexibility surveys included in **Appendix A** and **Appendix B**.
 - Summarizing all guidance, policies, and procedures that UAF issued in response to the COVID-19 pandemic.
 - Conducting virtual walkthroughs and interviews with UAF staff to evaluate how UAF implemented the COVID-19 flexibilities and how that implementation fit within UAF's overall grant management environment.
- Brainstormed and executed a series of data analytic tests aimed at identifying expenses that UAF incurred in accordance with the COVID-19 flexibilities, or that we identified as high-risk for other related reasons.
- Judgmentally selected 40 transactions to test based on the results of our data analytic tests, as approved by NSF OIG.
- Reviewed the supporting documentation that UAF provided and requested additional documentation as necessary to ensure that we obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
 - The goals of this testing included evaluating whether the sampled transactions related to UAF's implementation of the COVID-19 flexibilities and whether the transactions were allowable, allocable, reasonable, and in conformity with applicable Federal and NSF guidance, NSF terms and conditions, and COVID-19 flexibility guidelines.

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided a discussion draft report to UAF personnel to ensure UAF was aware of each potential finding and to provide UAF with an opportunity to submit any additional documentation available to support the questioned costs.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, 2018 Revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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