

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – Florida State University

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

May 25, 2021
OIG 21-1-012





AT A GLANCE

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – Florida State University

Report No. OIG 21-1-012

May 25, 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 Florida State University (FSU) for the period March 1 to September 30, 2020. The auditors tested approximately \$725,000 of the more than \$30.8 million of costs claimed to NSF. The audit objective was to determine if FSU used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether FSU complied with the associated guidelines. See Appendix E for the audit's objective, scope, and methodology.

AUDIT RESULTS

The report highlights that there were no exceptions identified with FSU'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. Although the auditors did not identify any exceptions related to FSU's use of the COVID-19 flexibilities, they identified concerns about FSU's compliance with certain Federal and NSF regulations, NSF award terms and conditions, and organizational policies not related to the COVID-19 flexibilities. The auditors questioned \$9,023 of costs claimed by FSU during the audit period. Specifically, the auditors identified \$4,808 in inappropriate drawdowns associated with expiring appropriations, \$3,648 in unallowable expenses, and \$567 in inappropriately applied indirect costs. C&C is responsible for the attached report and the conclusions expressed in it. NSF OIG does not express any opinion on the conclusions presented in C&C's audit report.

RECOMMENDATIONS

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

AUDITEE RESPONSE

FSU agreed with the findings in the report. FSU's response is attached in its entirety 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: May 25, 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. 21-1-012, Florida State University

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 Florida State University (FSU) for the period March 1 to September 30, 2020. The audit encompassed approximately \$725,000 of the more than \$30.8 million claimed to NSF during the period. The objective of the audit was to determine whether FSU used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether FSU complied 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 Jae Kim at 703.292.7100 or

OIGpublicaffairs@nsf.gov.

Attachment

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**PERFORMANCE AUDIT OF
FLORIDA STATE UNIVERSITY'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 FLORIDA STATE UNIVERSITY’S
IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

I. BACKGROUND

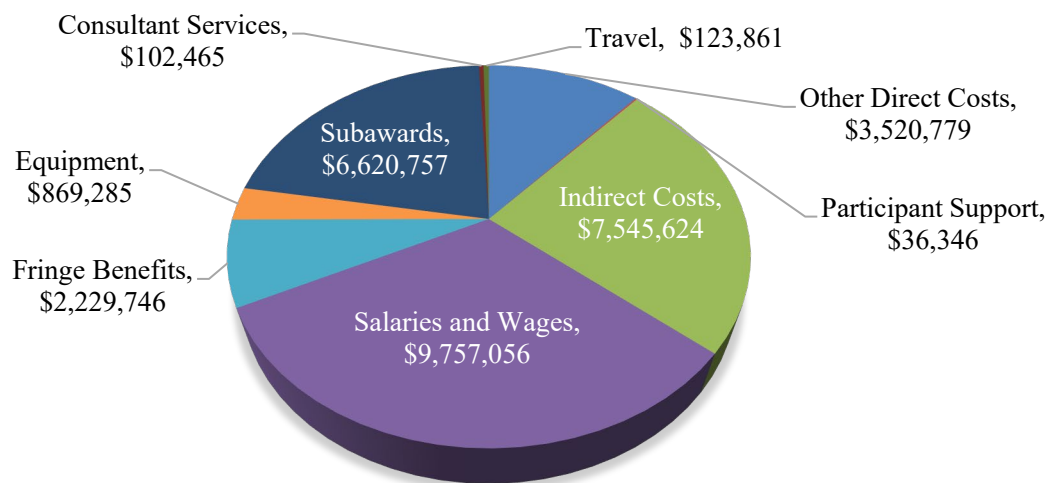
The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507).

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 Florida State University (FSU) implemented the administrative flexibilities and, if so, whether it complied with the associated guidelines.

In performing this audit, we gathered and reviewed general ledger detail that supported more than \$30.8 million in expenses that FSU claimed on 210 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, 2020



Source: Auditor analysis of accounting data provided by FSU.

This performance audit, conducted under Order No. 140D0420F0652, 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 FSU and NSF OIG. We included FSU's response to this report in its entirety in **Appendix D**.

II. AUDIT RESULTS

We did not identify any exceptions with regard to FSU'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 FSU's implementation of the COVID-19 flexibilities and did not identify any instances in which FSU did not comply with the associated guidelines, as summarized below.

We gained an understanding of how FSU implemented these COVID-19 flexibilities, including how the implementation process fit within FSU's overall grant management environment, by conducting a series of interviews with FSU staff. We determined that FSU did not specifically track salary expenses related to the COVID-19 flexibilities; however, FSU was able to identify \$7,951 in non-salary COVID-19 expenses that it charged to NSF awards, as it tracked these expenses separately within its general ledger. Based on this understanding and FSU's responses to the OMB flexibilities survey included in **Appendix B**, we tailored our data analytics sampling approach to enable us to select 30 transactions that FSU incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.

We tested the 30 transactions sampled, which represented \$724,744¹ in costs that FSU charged to NSF awards during the audit period, and identified one example in which FSU used the COVID-19 flexibilities that OMB granted and NSF implemented, as follows:

- FSU charged NSF Award No. [REDACTED] for approximately \$3,000 in costs incurred for airfare and food that the grant participants were unable to use before COVID-19 travel restrictions forced them to end their grant-related fieldwork in [REDACTED] 3 months early.

Although these costs would not typically be allowable on NSF awards, because the costs relate to the cancellation of grant-related fieldwork as a result of the public health emergency, consistent with flexibility 7 of OMB Memorandum M-20-17,² we noted no exception with FSU's use of this flexibility.

¹ The \$724,744 represents the total value of the 30 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.

² Flexibility 7 of OMB Memorandum M-20-17 states that recipients who incur costs related to the cancellation of events, travel, or other activities that are necessary and reasonable for the performance of the award, or that are related to the pausing and restarting of grant-funded activities, as a result of 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*.

Although we did not identify any exceptions related to FSU's implementation of the COVID-19 flexibilities, we determined that FSU 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 and NSF award terms and conditions. Specifically, we identified and questioned \$9,023 of direct and indirect costs that FSU inappropriately claimed during the audit period, including:

- \$4,808 in inappropriate drawdowns associated with expiring appropriations.
- \$3,648 in unallowable expenses.
- \$567 in inappropriately applied indirect costs.

We discuss the three findings in the *Audit Findings* section below.

III. AUDIT FINDINGS

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

Finding 1: Inappropriate Drawdowns Associated with Expiring Appropriations

FSU inappropriately drew down funds for one NSF award based on the total funding available in NSF's Award Cash Management Service (ACMS), rather than limiting the advance payment request to the minimum amount needed, as required by Federal regulations³ and the NSF Proposal and Award Policies and Procedures Guide (PAPPG).⁴ Further, FSU could have inappropriately used the funding to cover expenses that it incurred after the appropriations expired,⁵ as follows:

- On September 17, 2020, 13 days before NSF Award No. [REDACTED]'s period of performance and funding appropriation expired, FSU drew down the \$10,173 in funding remaining on the award to cover costs that it might incur before the September 30, 2020 expiration date, as it would be unable to draw down additional funding after September 23, 2020.⁶ FSU's GL supports that it incurred \$5,365 in expenses on or before the appropriation's expiration date; however, FSU did not use the remaining \$4,808 it drew down to cover expenses incurred before or after the appropriation expired.
 - *FSU agreed to reimburse NSF for the unspent funds.*

³ According to 2 Code of Federal Regulations (CFR) § 215.22(b)(2), cash advances to a recipient organization must be limited to the minimum amounts needed and must be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. Further, these policies note that the timing and amount of cash advances must be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

⁴ NSF PAPPG 14-1, Part II, Chapter III, Section C.3.b., states that cash requests for payment using ACMS should be limited to the minimum amounts needed and should be timed to meet the anticipated cash requirements for allowable charges to active NSF projects.

⁵ According to 2 CFR § 215.25(f), a Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

⁶ NSF notified FSU that September 23, 2020, was the last day it would be able to draw down funds on NSF awards with funding appropriations that expired on September 30, 2020.

FSU's modified procedures for drawing down funding from ACM\$ for expiring appropriations caused it to inappropriately claim costs before it had immediate cash needs and provided FSU with the opportunity to inappropriately use NSF funding to cover expenses incurred after the NSF award's appropriation had expired. As a result, we are questioning \$4,808 in unsupported funding drawn down on one NSF award. FSU agreed with the full \$4,808 in questioned costs, as illustrated in Table 1.

Table 1. Inappropriate Drawdowns Associated with Expiring Appropriations

Description	NSF Award No.	Fiscal Year	Questioned Costs			
			Direct	Indirect	Total	FSU Agreed to Reimburse
Inappropriate Draws Associated with Expiring Appropriations	██████	2021	\$4,808	\$0	\$4,808	\$4,808
Total			<u>\$4,808</u>	<u>\$0</u>	<u>\$4,808</u>	<u>\$4,808</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct FSU to provide documentation supporting that it has repaid or otherwise credited the \$4,808 of questioned Award Cash Management Service drawdowns for which it has agreed to reimburse NSF.
2. Direct FSU to update its administrative and management processes and internal control procedures for awards with expiring appropriations. Updated processes could include:
 - a. Validating that FSU adequately documents that any Award Cash Management Service draws in excess of its actual expenses support immediate cash needs.
 - b. Ensuring that FSU's system prohibits personnel from posting costs to an award after the award's appropriation expires.

FSU Response: FSU agreed with this finding, stating that it reimbursed NSF for the \$4,808 in questioned costs and that it would not have used the funds to cover expenses incurred after the award's funding appropriation expired. However, FSU did note that it drew down the funding based on its "best knowledge" of anticipated expenditures prior to the appropriation expiration date, as losing the ability to draw down funding on awards with expiring appropriations limits the grantee's financial activities during the 120-day reporting period and creates a significant challenge for the grantee. FSU further stated that, although it developed its procedures to align with NSF's reporting periods, as defined in the NSF PAPPs, it will identify strategies to improve its management of unanticipated changes in the availability of funding.

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

Finding 2: Unallowable Expenses

FSU charged three NSF awards a total of \$3,648 in expenses that were unallowable under Federal regulations⁷ and NSF PAPPGs.⁸ Specifically:

- In July 2020, FSU charged NSF Award No. [REDACTED] for \$2,424 in fees incurred to publish an article that did not acknowledge NSF Award No. [REDACTED] as a sponsor.⁹
 - *FSU agreed to reimburse NSF for these expenses.*
- Between June 2020 and November 2020, FSU charged NSF Award No. [REDACTED] for \$1,215 in lab chemical and other costs that it determined were not allowable on the NSF award, either during grant closeout or in response to the audit.¹⁰
 - *FSU agreed to reimburse NSF for these expenses.*
- In August 2020, FSU erroneously charged NSF Award No. [REDACTED] for \$9 in credit card fees.
 - *FSU agreed to reimburse NSF for these expenses.*

FSU relies on its closeout reviews to ensure that it only charges allowable costs to NSF awards and therefore does not have sufficient policies or procedures in place to ensure that it appropriately identifies unallowable costs and removes them from NSF awards during the award's period of performance. We are therefore questioning \$3,648 of unallowable expenses that FSU charged to three NSF awards. FSU concurred with the full \$3,648 in questioned costs, as illustrated in Table 2.

⁷ According to 2 CFR § 220 Appendix A, Sections C.2 and C.3, 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.

⁸ NSF PAPPGs 14-1, 15-1, 19-1, and 20-1, Part I, Chapter II, Section C.2.g. state that grantees may request funds if the item and amount are considered necessary, reasonable, and allowable.

⁹ According to 2 CFR §200.461(b)(1), charges for professional journal publications are allowable where the publications report that the work was supported by the Federal government. Further, NSF PAPPG 15-1, Part II, Chapter VI, Section E.4.a. states that the grantee is responsible for ensuring that any publication of any material based on or developed under an NSF-funded project includes acknowledgement of NSF support.

¹⁰ The unallowable costs included \$1,177 in lab chemical supplies that FSU determined it had inappropriately transferred to the NSF award as a result of our audit. The unallowable costs also included \$38 in costs that FSU had determined were unallowable while performing grant closeout activities in September 2020 but had not appropriately returned to NSF prior to the audit.

Table 2. Unallowable Expenses

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	FSU Agreed to Reimburse
July 2020 Unallowable Publication	██████	2021	\$1,595	\$829	\$2,424	\$2,424
July 2020-November 2020 Unallowable Costs	██████	2020-2021	799	416	1,215	1,215
August 2020 Unallowable Credit/Debit Card Fees	██████	2021	9	0	9	9
Total			<u>\$2,403</u>	<u>\$1,245</u>	<u>\$3,648</u>	<u>\$3,648</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct FSU to provide documentation supporting that it has repaid or otherwise credited the \$3,648 in questioned publication and other direct costs for which it has agreed to reimburse NSF.
2. Direct FSU to establish clear guidance regarding the allowability of publication expenses, including the need to acknowledge NSF funding sources.
3. Direct FSU to strengthen its grant closeout procedures to ensure that it reimburses NSF for any expenses that it determines did not benefit the NSF award(s) charged. Additional procedures should ensure that FSU refunds the NSF award(s) for any materials and supplies that it was unable to use before the award's period of performance expired.
4. Direct FSU to implement additional controls to prevent personnel from directly charging NSF awards for costs charged to accounts established to accumulate expenses that are not typically allowed on Federal awards, such as credit/debit fees, unless the personnel obtain specific prior approval.

FSU Response: FSU agreed with this finding, stating that it would reimburse NSF for the \$3,648 in questioned costs and that it would work with those researchers and individuals involved with publishing NSF-funded publications to ensure they appropriately acknowledge NSF awards in future publications. However, FSU noted that it believes it does have strong internal controls over the review of expenditures charged to Federal grants and contracts and that it believes it would have identified and removed these expenditures during grant closeout if the auditors had not identified the expenditures during the audit.

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

Finding 3: Inappropriately Applied Indirect Costs

FSU's Negotiated Indirect Cost Rate Agreement (NICRA) states that FSU applies its indirect cost rate to a Modified Total Direct Cost (MTDC)¹¹ base that specifically excludes participant support costs. However, FSU charged one NSF award a total of \$567 in indirect costs after inappropriately applying its indirect cost rate to participant support costs.¹² Specifically:

- In August 2020, FSU charged NSF Award No. [REDACTED] for \$567 in indirect costs assessed on direct costs it incurred to perform a participant survey experiment. Because the award included funding to support this experiment under the participant support cost budget, FSU should have charged these expenses to an account that did not apply indirect costs.¹³
 - FSU agreed to reimburse NSF for these expenses.

FSU relies on its closeout reviews to ensure that it charges costs to appropriate accounts and therefore does not have sufficient policies or procedures in place to ensure that it appropriately accumulates all participant support costs in account codes that do not apply indirect costs during the award's period of performance. We are therefore questioning \$567 of indirect costs charged to one NSF award. FSU concurred with the full \$567 in questioned costs, as illustrated in Table 3.

Table 3: Inappropriately Applied Indirect Costs

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	FSU Agreed to Reimburse
August 2020 Indirect Costs Inappropriately Applied to Participant Support Costs	[REDACTED]	2021	\$0	\$567	\$567	\$567
Total			<u>\$0</u>	<u>\$567</u>	<u>\$567</u>	<u>\$567</u>

Source: Auditor summary of identified exception.

¹¹ FSU's NICRA dated July 2, 2019, states 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 in excess of \$25,000. Further, 2 CFR § 200.68 states that 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.

¹² NSF PAPPG 19-1, Part I, Chapter II, Section C.2.g. (viii) states that grantees should calculate indirect costs (F&A) using the approved base(s).

¹³ NSF PAPPG 19-1, Part I, Chapter II, Section C.2.g.(v) states that indirect costs (F&A) are not usually allowed on participant support costs.

Recommendations

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

1. Direct FSU to provide documentation supporting that it has repaid or otherwise credited the \$567 of questioned indirect costs for which it has agreed to reimburse NSF.
2. Direct FSU to strengthen its administrative and management processes and internal controls for applying indirect costs to Federal awards. Updated procedures could include implementing an annual review of other direct costs charged to sponsored awards that include funding for participant support costs to ensure that FSU is appropriately segregating other direct costs incurred on behalf of participants in accounts to which it does not apply indirect costs.

FSU Response: FSU agreed with this finding, stating that it would reimburse NSF for the questioned costs and that it would evaluate its expenditure review procedures to determine whether adjustments are needed to ensure that similar situations do not occur in the future.

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

COTTON & COMPANY LLP

A black rectangular redaction box covering the signature of Megan Mesko.

Megan Mesko, CPA, CFE
Partner
May 18, 2021

APPENDIX A: FLORIDA STATE UNIVERSITY’S IMPLEMENTATION OF OMB AND NSF’S COVID-19 FLEXIBILITIES

FLORIDA STATE UNIVERSITY'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. As Florida State University's (FSU's) System of Award Management (SAM) registration does not expire until January 4, 2022, it did not need to use this flexibility.
	2. Flexibility with application deadlines	No	Not Applicable. FSU stated that it did not extend its proposal deadlines.
	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	No	Not Applicable. FSU stated that it did not implement this flexibility. Specifically, FSU stated that it did not process any additional no-cost extensions (NCEs) as a result of the COVID-19 pandemic. However, FSU noted that it provided the relevant guidance to its researchers to ensure they considered whether they would require an NCE due to delays caused by the COVID-19 pandemic. Each Principal Investigator (PI) would therefore have evaluated their current progress in achieving their award's scope of work to determine whether they required an NCE.
	5. Abbreviated non-competitive continuation requests	No	Not Applicable. FSU did not make any non-competitive continuation requests.
	6. Allowability of salaries and other project activities	Yes	No Exceptions Noted. FSU issued a memorandum instituting a policy that allowed individuals who were unable to perform their work as a result of COVID-19 restrictions to continue allocating their effort to planned funding sources between March 17 and April 30, 2020. FSU stated that, after April 30, 2020, if an individual was still unable to perform grant-related work, they were not allowed to charge their salary to sponsored funding sources. Accordingly, if an employee's normal assignment was funded in whole or in part by an NSF award, FSU could have charged NSF for costs associated with idle time for that employee. Because our limited testing of salary expenses did not reveal any instances in which FSU charged NSF awards for salary earned while employees were unable to perform grant-related work, we did not note an exception with regard to FSU's implementation of this policy.

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	No*	No Exceptions Noted. FSU stated that it did not implement this flexibility, as it elected to use non-Federal funding sources to cover expenses that were not typically allowable on NSF awards, such as those associated with cancelled flight costs, in an effort to ensure that sufficient funding was available on NSF awards to achieve the awards' objectives. However, during our audit testing, we identified one instance in which FSU used this flexibility to directly charge an NSF award for costs associated with cancelled travel.* Specifically, FSU charged an NSF award for approximately \$3,000 in costs incurred to purchase airfare and food in preparation for a 4-month trip to perform fieldwork in [REDACTED]. However, the majority of these costs ultimately did not benefit the NSF award, as FSU employees were forced to leave [REDACTED] after only 1 month in response to COVID-19 evacuation orders. Because this use of the flexibility appeared to be consistent with OMB and NSF guidelines, and because FSU continued to perform its standard monitoring procedures—which require Sponsored Research Administration (SRA) employees to review and approve all non-salary expenses greater than \$1,000 charged to sponsored programs—to ensure personnel did not charge NSF awards for unallowable costs, we did not note an exception with regard to FSU's use of this flexibility.
	8. Prior approval requirement waivers	No	Not Applicable. FSU stated that it did not waive any prior approval requirements related to spending on NSF awards. Further, our sample testing did not identify any instances in which FSU used this flexibility.
	9. Exemption of certain procurement requirements	No	Not Applicable. FSU stated that it did not make any changes to its internal procurement requirements. Further, our sample testing did not identify any instances in which FSU used this flexibility.
	10. Extension of financial, performance, and other reporting	No	Not Applicable. FSU stated that it did not make any requests regarding the extension of final project or project outcome reports; it also noted that it had completed its annual inventory report, with no findings identified. Further, our sample testing did not identify any instances in which FSU used this flexibility.
	11. Extension of currently approved indirect cost rates	Yes	No Exceptions Noted. FSU requested and received a 2-year extension on its Negotiated Indirect Cost Rate Agreement (NICRA), which was approved by its cognizant audit agency, the Department of Health and Human Services (DHHS). We confirmed that FSU continued to apply its approved provisional rate during the approved extension period. We therefore did not note any exceptions with regard to FSU's implementation of this flexibility.
	12. Extension of closeout	No	Not Applicable. FSU stated that it did not make any requests for extensions of due dates for final project reports or project outcome reports. Further, our sample testing did not identify any instances in which FSU used this flexibility.
	13. Extension of Single Audit submission	No	Not Applicable. FSU did not request or receive an extension related to the submission of its Single Audit report.

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
M-20-20	1. Donations of medical equipment and other resources purchased/ funded under Federal financial assistance in support the COVID-19 response	No	Not Applicable. FSU stated that it did not donate medical equipment or other resources purchased with funding it received under Federal financial assistance awards. Further, our sample testing did not reveal any instances in which FSU donated supplies purchased with Federal funding, or in which FSU used Federal funding to purchase personal protective equipment (PPE) and/or other medical equipment in response to the COVID-19 pandemic.
M-20-26	1. Extension of allowability of salaries and other project activities through September 30, 2020	No	Not Applicable. FSU stated that it did not implement this flexibility, as OMB granted, and NSF implemented, the flexibility after April 30, 2020, the expiration date of FSU's policy allowing personnel to charge idle time to sponsored programs. Our sample testing did not identify any instances in which FSU used this flexibility.
	2. Extension of Single Audit submission and COVID-19 emergency acts fund reporting through December 31, 2020	No	Not Applicable. FSU did not request or receive an extension related to the submission of its Single Audit report.

APPENDIX B: FLORIDA STATE UNIVERSITY'S OMB FLEXIBILITY SURVEY RESPONSE

FLORIDA STATE UNIVERSITY'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?	No
5	Established a new policy for charging salaries to projects during unexpected or extraordinary circumstances?	No
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?	No
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?	No
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?	Yes
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?	Yes
20	Used NSF funding to sponsor virtual conferences or other virtual events/programs?	No
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?	No
24	Rebudgeted any NSF award participant support cost funding?	No
25	Issued any additional subaward agreements to perform NSF Award research?	No
26	Allowed employees to incur costs greater than 90 days before an NSF grant became effective?	No
27	Issued any guidance regarding authority to rebudget funding during the Pandemic?	No
28	Made any changes to its procurement policies or procedures?	No
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?	No
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?	No
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?	No

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?	No
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?	No
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?	No
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?	No

APPENDIX C: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0420F0652
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
FLORIDA STATE UNIVERSITY

SCHEDULE OF QUESTIONED COSTS BY FINDING

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Inappropriate Drawdowns Associated with Expiring Appropriations	\$4,808	\$0	\$4,808
2	Unallowable Expenses	0	3,648	3,648
3	Inappropriately Applied Indirect Costs	<u>0</u>	<u>567</u>	<u>567</u>
Total		<u>\$4,808</u>	<u>\$4,215</u>	<u>\$9,023</u>

APPENDIX D: FLORIDA STATE UNIVERSITY'S RESPONSE

FLORIDA STATE
UNIVERSITY

OFFICE *of the* VICE PRESIDENT *for* RESEARCH



April 28, 2021

Cotton & Company LLP
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
Attention: Megan Mesko, CPA, CFE

RE: Coronavirus Disease 2019 Flexibilities Performance Audit

Dear Ms. Mesko:

This letter serves as Florida State University's (FSU) formal response to the National Science Foundation's (NSF) Performance Audit of the Implementation of OMB COVID-19 Flexibilities received on April 15, 2021.

Finding 1: Inappropriate Drawdowns Associated with Expiring Appropriations

FSU concurs with Cotton and Company's findings and recommendations regarding the inappropriate draw down from ACM\$ of \$4,808 on NSF Award NO. [REDACTED]. FSU does not agree that this draw down was to cover expenses incurred after the awards' funding appropriations expired. Due to the access to funds ending prior to the appropriations expiring, FSU had to draw for estimated expenses that were anticipated to post within the remaining active award period.

The end date of this award was 9/30/20. NSF awards normally provide a 120 day reporting period following the end of the award. FSU closeout procedures for NSF awards have been established to provide 120 days for closeout. Access to draw down funds for this award ended on 9/23/20 prior to end of the award thus allowing no time to finalize award and complete the closeout process. Because FSU had not completed the closeout process, the funds were drawn based on the best knowledge on 9/23/20. After subsequently completing the closeout process, it was determined that total costs were lower than drawn. FSU has refunded this amount.

Loss of access to drawdown funds prior to the end of award creates a significant challenge for grant recipients. In order to determine the cash needs (total expenditures) prior to the end of the award period, it was necessary to estimate the ending cash needs on a still active award. In this particular case, the estimate did not equate to the actual expenditures incurred after the closeout process was completed and funds were required to be refunded to NSF. This has been completed.

FSU's procedures have been developed to align with NSF's reporting periods as defined in NSF's Proposal & Award Policies & Procedures Guide. FSU will identify strategies to improve the management of unanticipated changes in availability of funds. However, a lack of alignment with the normal reporting requirements noted in the NSF PAPPG creates an ongoing challenge for grant recipients.

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Finding 2: Unallowable Expenses

FSU concurs with Cotton and Company's findings and recommendations regarding the following three transactions and agrees to reimburse NSF for these costs:

- In July 2020, FSU charged NSF Award No. [REDACTED] for \$2,424 in fees incurred to publish an article that did not acknowledge NSF Award No. [REDACTED] as a sponsor.
- FSU charged NSF Award No. [REDACTED] for \$1,215 in costs that it determined were not allowable on the NSF award during grant close-out or in response to the audit.
- In August 2020, FSU erroneously charged NSF Award No. [REDACTED] for \$9 in credit card fees.

FSU is working with researchers and those involved with publishing to ensure that the lack of acknowledgement does not occur in the future.

FSU has strong internal controls in place for the review of expenditures on federal grants and contracts. In addition to the approvals at expenditure, an additional review occurs at closeout. FSU is reviewing the reasons that the systems in place did not identify the two unallowable expenditures and will ensure that adjustments are made to avoid this in the future. However, these expenditures would have been identified and removed at closeout (if they were not identified during this audit).

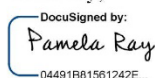
Finding 3: Inappropriately Applied Indirect Costs

FSU concurs with Cotton and Company's finding and recommendations regarding inappropriately applied indirect costs of \$567 to participant support costs. Although the FSU general ledger includes two account codes, one for participant support costs which carry indirect costs and one for participant support costs which does not carry indirect costs, this transaction for NSF Award No. [REDACTED] was incorrectly coded.

FSU has procedures in place to identify these costs at the closeout of an award; however, FSU will review these procedures to determine if adjustments are needed to ensure that this situation does not reoccur during the award period.

In closing, we would like to thank the Cotton and Company team and the NSF audit team for their professionalism and accommodations throughout the entire audit process.

Sincerely,

DocuSigned by:

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Pamela Ray
 Senior Director, Sponsored Research 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 FSU used the administrative COVID-19 flexibilities authorized by OMB and implemented by NSF, and, if so, whether FSU 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 Federal¹⁴ and NSF criteria,¹⁵ 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](#)

¹⁴ We assessed FSU’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.

¹⁵ We assessed FSU’s compliance with NSF PAPPs 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 FSU’s internal controls, within the audit’s scope, solely to understand whether the directives/policies and procedures FSU has in place ensure charges against NSF awards comply with relevant Federal regulations and NSF award terms.
- Requested, obtained, and reviewed FSU 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 FSU and NSF OIG. NSF OIG provided award data that FSU reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that FSU provided by (a) comparing the costs charged to NSF awards per FSU’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that FSU submitted to NSF during the audit’s period of performance; and (b) reviewing the parameters that FSU used to extract transaction data from its accounting systems. We identified one finding related to discrepancies between the amounts supported by FSU’s general ledger and the amounts that FSU claimed per NSF’s ACM\$ system (see Finding 1); however, we found FSU’s computer-processed data to be sufficiently reliable for the purposes of the audit, as FSU 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.
 - FSU 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 \$30,805,919 in costs claimed on 210 NSF awards.

- Gained an understanding of whether and how FSU implemented the COVID-19 flexibilities granted by OMB and implemented by NSF by:
 - Analyzing FSU's responses to the COVID-19 flexibility surveys included in **Appendix A** and **Appendix B**.
 - Summarizing all guidance, policies, and procedures that FSU issued in response to the COVID-19 pandemic.
 - Conducting walkthroughs and interviews with FSU staff to evaluate how FSU implemented the COVID-19 flexibilities and how that implementation fit within FSU's overall grant management environment.
- Brainstormed and executed a series of data analytic tests aimed at identifying expenses that FSU incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.
- Judgmentally selected 30 transactions to test based on the results of our data analytic tests, as approved by NSF OIG.
- Reviewed the supporting documentation that FSU 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 FSU'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 FSU personnel to ensure FSU was aware of each potential finding and to provide FSU 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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