
**Springfield Technical Community College
One Armory Square
Springfield, Massachusetts 01105**

**National Science Foundation
Award Number DUE – 9751990**

Independent Auditors' Reports and Financial Schedule



**LEON SNEAD
& COMPANY, P.C.**

*Certified Public Accountants
& Management Consultants*

01-27-2005

**Springfield Technical Community College
One Armory Square
Springfield, Massachusetts 01105**

**National Science Foundation
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For Period September 1, 1997 to February 28, 2001

**Leon Snead & Company, P.C.
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National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

EXECUTIVE SUMMARY

BACKGROUND

Springfield Technical Community College (STCC) is a component unit of the Commonwealth of Massachusetts. STCC follows the cost principles specified in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* and the Federal administrative requirements contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

On September 1, 1997, the National Science Foundation (NSF) issued award DUE-9751990 to STCC to fund the *Northeast Center for Telecommunications Technology* (NCTT) project. The goals and objectives of the project were to increase the number of trained persons in the competitive telecommunications industry. The awardee proposed to monitor trends, develop and disseminate relevant curricula and materials, explore and promote the best educational methods, and ensure continuing competency of faculty who teach telecommunications-related programs, and recruit and educate a diverse student population. Led by STCC in Massachusetts and Hudson Valley Community College in New York, a consortium of six senior institutions, ten community technical colleges, numerous secondary schools, several business/industry partners, government agencies, and the New England Board of Higher Education were proposed as participants in the project. The NSF award budget was \$3,000,000 and STCC agreed to provide cost sharing in the amount of \$1,730,000 to support the project for the entire period September 1, 1997 to February 28, 2001. STCC claimed NSF funding of \$2,945,325 and cost sharing of \$1,792,327 as of July 2004.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether:

1. Costs charged to the NSF award by STCC are allowable, allocable, and reasonable, in accordance with the applicable Federal cost principles and NSF award terms and conditions; and
2. STCC's systems of internal controls are adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and Federal requirements.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards, and the *National Science Foundation Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation as presented in the *Schedule of Award Costs* (Schedule A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Schedule A. An audit also includes assessing the accounting principles used and significant estimates made by STCC, as well as evaluating the overall financial schedule's presentation. We believe that our audit provides a reasonable basis for our opinion.

We tested a sample of costs claimed by STCC for compliance with Federal and NSF award requirements. Based on this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we made no attempt to project such costs to total costs claimed, based on the relationship of costs tested to total costs.

SUMMARY OF AUDIT RESULTS

An audit was performed on the financial reports submitted to NSF, as well as the cost-sharing amount provided by STCC for the NSF award audited. These costs and the results of our audit are shown in Schedule A and are summarized as follows:

<u>Award Number</u>	<u>Source of Funding</u>	<u>Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
DUE-9751990	NSF Funding	\$3,000,000	\$2,945,325	\$ 35,000
	Cost Sharing	<u>1,730,000</u>	<u>1,792,327</u>	<u>195,133</u>
	Total Project	<u>\$4,730,000</u>	<u>\$4,737,652</u>	<u>\$ 230,133</u>

The costs claimed by STCC for award expenditures generally appear reasonable, allowable, and allocable in accordance with the applicable Federal costs principles and NSF award terms and conditions, except for \$35,000 of consultant costs and \$195,133 for

cost sharing that we questioned because of inadequate support documentation. Similarly, STCC's systems of internal controls were generally adequate to properly administer, account for, and monitor its NSF award in compliance with NSF and Federal requirements, except in the area of consultant costs and cost sharing.

Thirty five thousand dollars in consultant costs were questioned because STCC could not provide documentation to show how and/or to what extent a consultant's work benefited the award and the consultant payments exceeded the maximum allowable consultant's daily rate of pay. In addition, STCC also claimed the same \$35,000 in consultant costs as cost share.

During our initial review of cost sharing in the Fall of 2001, we found that STCC did not have a system in place, which included written policies and procedures, for recording, monitoring, documenting, and reporting cost sharing for the NSF award. As a result, STCC failed to fully comply with the cost-sharing requirements set forth in the NSF award letter which stated that STCC is required to (1) provide \$1.5 million of cost sharing, (2) ensure that its subcontractors provide \$230,000 in cost sharing, and (3) submit required cost-sharing certifications including certifications for its subcontractors. The letter also stated that if the subcontractors failed to meet their promised cost sharing, STCC should not reimburse the subcontractors in full for their work on the project.

In an effort to provide useful information to NSF management on STCC's cost sharing for the award, we conducted a follow-up review in July 2004 at which time STCC provided documentation for \$1.7 million of claimed cost sharing after our initial audit fieldwork. Our objective was to determine if STCC (1) could provide adequate supporting documentation for a \$1.4 million sample of the \$1.7 million of cost sharing, and (2) had a cost-sharing system in place to adequately account for current and future NSF awards. We found that although STCC had taken steps to establish cost-sharing policies and procedures and a system to track and report cost sharing since our initial visit in 2001, the awardee could not provide support for \$260,186 of cost sharing. The awardee also claimed questionable and inadequately supported cost sharing of \$266,031, which led us to identify as questionable, a total of \$526,217, or 29 percent of the \$1.7 million of claimed cost sharing. NSF funded \$3 million (63 percent) of the total budgeted project costs and STCC was to ensure that cost sharing was provided for the remaining \$1.7 million (37 percent). Because STCC failed to ensure that all the cost share was provided, approximately \$314,000 of the direct NSF funding was questioned. (See Schedule B, Note 2 for further explanation). Meeting the award's cost-sharing requirements is important to ensure that the award project goals are met.

In addition to not always maintaining supporting documentation for the claimed cost-shared amounts, we identified that STCC did not certify after-the-fact labor effort of staff whose salaries were claimed as cost sharing. When asked why the NSF cost-sharing provisions were not fully adhered to, current NCTT and STCC officials could not provide an explanation for the lack of oversight by the former Principal Investigator who had been responsible for cost sharing required by the award. We considered the lack of certified labor effort reports and other supporting documentation for cost sharing to be a

material internal control weakness because salaries comprised approximately 23.8 percent of STCC's \$1.7 million claimed cost sharing. Also, approximately 17.7 percent of the \$1.4 million that we tested was not supported with documentation. STCC is in the process of writing a *Grants Manual* to ensure that its current system accounts for, monitors, adequately documents, and reports cost sharing in compliance with NSF award terms and conditions, and Federal requirements for its current and future NSF awards.

To address these material internal control weaknesses in the areas of consultant costs and cost sharing, we recommend that the Division Directors of the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) ensure that STCC maintain documentation for all consultant costs that identifies how the consultant's work benefited the NSF award; ensure that the consultant payments do not exceed the maximum allowable daily rate of pay; and institute proper controls to ensure that the costs charged to the NSF award are not also charged as cost share. Additionally, we recommend that the Division Directors ensure that STCC strictly adhere to its current system to account for, monitor, adequately document, and report cost sharing as described in its *Grants Manual* to ensure compliance with NSF award and other Federal requirements, for its current and future NSF awards. Also, STCC's cost-sharing system should include provisions for maintaining after-the-fact labor effort certifications and supporting documentation related to cost sharing.

We believe that if STCC fails to address these weaknesses, similar problems may occur on other existing and future NSF awards. As of January 2005, STCC has three active NSF awards totaling approximately \$3.7 million and STCC agreed to provide cost sharing of approximately \$1.7 million on one of the awards.

In December 2004, STCC officials provided their response to the audit findings and recommendations made in this report, and also provided additional documentation for \$432,688 of cost sharing. Out of \$432,688, we identified \$161,407 as allowable and proportionately reduced the questioned NSF share from \$314,172 to \$195,133. (See schedule B, Note 2 for further explanation).

STCC agreed with the internal control and compliance findings in the report and has taken steps to revise its Grant Manual and ensure that all consultant costs and cost sharing are allowable and are adequately documented. However, the findings cannot be resolved until NSF verifies that the proposed corrective actions have been satisfactorily implemented and all recommendations have been adequately addressed. STCC's response has been summarized within the report and is included in its entirety in Appendix A.

EXIT CONFERENCES

An exit conference was held on December 13, 2001, at STCC's office in Springfield, Massachusetts. Preliminary audit report finding and recommendation, as well as other observations, were discussed with those attending.

Representing STCC were:

<u>Name</u>	<u>Title</u>
[REDACTED]	[REDACTED]

Representing Leon Snead & Company, P.C. was:

<u>Name</u>	<u>Title</u>
[REDACTED]	[REDACTED]

A second exit conference was held on September 14, 2004 by telephone. Findings and recommendations contained in this report were discussed with those attending.

Representing STCC were:

<u>Name</u>	<u>Title</u>
[REDACTED]	[REDACTED]

Representing Leon Snead & Company, P.C. was:

<u>Name</u>	<u>Title</u>
[REDACTED]	[REDACTED]

Representing NSF/Office of Inspector General were:

<u>Name</u>	<u>Title</u>
[REDACTED]	[REDACTED]

AUDIT FINDINGS AND RECOMMENDATIONS

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

We audited the costs claimed by Springfield Technical Community College (STCC) to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTR) – Federal Share of Net Disbursements for the NSF award listed below. In addition, we audited the amount of cost sharing claimed on the award. The FCTRs, as presented in the *Schedule of Award Costs* (Schedule A), are the responsibility of STCC's management. Our responsibility is to express an opinion on Schedule A based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
DUE-9751990	09/01/97 to 02/28/01	09/01/97 to 02/28/01

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards, and the *National Science Foundation Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to NSF as presented in the *Schedule of Award Costs* (Schedule A) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the *Schedule of Award Costs*. An audit also includes assessing the accounting principles used and significant estimates made by STCC's management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The *Schedule of Questioned Costs* (Schedule B) explains the NSF funded costs in the amount of \$195,133 that are questioned as to their allowability under the NSF award agreement due to the lack of adequately supported claimed cost share and consultant costs. Questioned costs are (1) costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, (2) costs that require additional support by the awardee, or (3) costs that require

interpretation of allowability by the National Science Foundation – Division of Institution and Award Support (DIAS). NSF will make the final determination as to whether such costs are allowable. The ultimate outcome of this determination cannot presently be determined. Accordingly, no adjustment has been made to costs claimed for any potential disallowance by NSF.

In our opinion, the *Schedule of Award Costs* (Schedule A) referred to above presents fairly, in all material respects, the costs claimed on the FCTRs – Federal Share of Net Disbursements and cost sharing claimed for the period September 1, 1997 to February 28, 2001, in conformity with the *National Science Foundation Audit Guide*, *NSF Grant Policy Manual*, and terms and conditions of the NSF award, and on the basis of accounting policies described in the Notes to the Financial Schedules. This schedule is not intended to be a complete presentation of financial position in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and the *National Science Foundation Audit Guide*, we have also issued a report dated December 13, 2001, on our tests of STCC's compliance with certain provisions of laws, regulations, and the NSF award terms and conditions, and our consideration of STCC's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the STCC's management, NSF, STCC's cognizant Federal agency for audit, the Office of Management and Budget, and the Congress of the United States, and is not intended to be, and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
Rockville, Maryland 20850
December 13, 2001

National Science Foundation
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the costs claimed as presented in the *Schedule of Award Costs* (Schedule A), which summarizes the financial reports submitted by Springfield Technical Community College (STCC) to the National Science Foundation (NSF) and claimed costs sharing for the award listed below, and have issued our report thereon dated December 13, 2001.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
DUE-9751990	09/01/97 to 02/28/01	09/01/97 to 02/28/01

We conducted our audit of the *Schedule of Award Costs* as presented in Schedule A in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards, and the *National Science Foundation Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with applicable Federal laws, regulations, and the NSF award terms and conditions is the responsibility of STCC's management. As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we performed tests of STCC's compliance with certain provisions of laws, regulations, and the NSF award terms and conditions, noncompliance with which could have a direct and material effect on the determination of the financial schedule amounts. However, providing an opinion on compliance with such provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and the *National Science Foundation Audit Guide*. These instances of noncompliance are also material internal control weaknesses and are discussed in Finding Nos. 1 and 2 in the Internal Control Over Financial Reporting Section of this report. We considered these instances of noncompliance in forming our opinion of whether the *Schedule of Award Costs* (Schedule A) presents fairly in all material respects, the costs claimed by STCC on the Federal Cash Transactions Reports – Federal Share of Net Disbursements and cost sharing claimed for the period September 1, 1997 to February 28, 2001, in conformity with the *National Science Foundation Audit Guide* (September 1996), *NSF Grant Policy Manual*, the Federal Laws and Regulations, and NSF award terms and conditions, and determined that this report does not affect our report dated December 13, 2001 on the financial schedule.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of STCC is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles prescribed by NSF. Because of inherent limitations in any internal control, misstatements due to errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the *Schedule of Award Costs* (Schedule A) for the period September 1, 1997 to February 28, 2001, we considered STCC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

We noted matters described below involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect STCC's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial schedules. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial

schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control over financial reporting would not necessarily disclose all matters related to internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described below are also material weaknesses.

Finding No. 1 - Lack of Adequate Documentation, Excess Payment of, and Duplicate Charges for Consultant Costs

STCC could not provide documentation to show how and/or to what extent a consultant's work benefited the NSF award. STCC could only provide invoices showing that the consultant arranged for three meetings between NCTT and industry officials for a total cost of \$35,000 (\$5,000 per month from April through November 2000). Current NCTT and STCC officials were unable to provide additional supporting documentation for us to assess whether the costs had been reasonable, allocable, and allowable.

In addition, we found that the consultant was paid \$1,250 per day, as stated in the contract agreement between STCC and the consultant, for four days a month over a seven-month period. The GPM 616.1(c) states that payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee unless specifically authorized by law. Therefore, STCC should have paid the consultant no more than \$443 per day for services rendered.

We also found that STCC charged the same \$35,000 in consultant costs also as cost share to the NSF award. As a result, because STCC did not have supporting documentation that clearly described how the consulting costs could be perceived as acceptable claimed costs, and consultant payments exceeded the allowable consultant's daily rate of pay, we questioned the entire \$35,000 claimed to the award. (We also questioned the same \$35,000 of consultant services costs that STCC claimed as cost sharing to the NSF award. See Schedule B, Note-2, G.)

Recommendation No. 1

We recommend that NSF's Division Directors of the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) ensure that STCC maintains documentation for all consultant costs that identifies how the consultants' work benefits the NSF award; ensures that the consultant payments do not exceed the maximum allowable daily rate of pay; and institutes proper controls to ensure that costs charged to the NSF award are not also charged as cost share.

Awardee's Response:

On December 24, 2004, STCC officials responded, through the Commonwealth of Massachusetts, to the revised draft audit report and provided additional information that they have established a new control that no contract will be paid at a rate higher than allowable by the funding agencies as reflected in the *Grants Manual*.

Auditor's Comments:

STCC's comments appear partially responsive to the recommendation. The finding cannot be resolved until NSF verifies that the proposed corrective actions have been satisfactorily implemented and all recommendations have been adequately addressed.

Finding No. 2 — Cost-Sharing Provisions Not Fully Met

Initial Review of Cost Sharing

During our initial review of cost sharing in the Fall of 2001, we found that STCC did not have a system in place, which included written policies and procedures, for recording, monitoring, documenting, and reporting its institution and its subcontractors' required cost sharing on the NSF award. As a result, we found that STCC failed to fully comply with the cost-sharing requirements set forth in the NSF award letter. (In July 2004, we conducted a follow-up review of cost sharing documentation provided after our initial audit fieldwork. We found that although STCC had taken steps to establish a cost-sharing system, the awardee could not support \$260,186 of claimed cost sharing, and claimed questionable and inadequately supported cost sharing of \$266,031, that is a total of \$526,217 or 29 percent questionable cost sharing of the \$1.7 million claimed. See *Follow-up Review of Cost Sharing* and Schedule B, Note B-2.)

As a condition of the NSF award, STCC along with two of its subcontractors agreed to provide cost sharing on the award. The awardee proposed that cost sharing would be provided in the areas of salaries and wages, academic equipment, use of consultants, travel, seminars/workshops, participant support costs, and indirect costs. STCC agreed to cost share \$1,500,000 for its institution (\$500,000 during each of the three years of the award period). In addition, STCC was responsible for ensuring that one subcontractor, the New England Board of Higher Education (NEBHE), provide cost sharing of \$30,000 (\$10,000 per year for the three years of the award), and the other subcontractor, Hudson Valley Community College (HVCC) provide cost sharing of \$200,000 on the award. Therefore, STCC was responsible for ensuring that a total of \$1,730,000 of cost sharing was provided on the NSF-funded project. The NSF award letter also stated that if the subcontractors failed to meet their promised cost sharing, STCC should not reimburse the subcontractors in full for their work on the project. The award letter further required STCC to document cost sharing (on an annual and cumulative basis), certify the cost sharing by an authorized institutional representative, and report cost sharing to NSF as a part of the annual progress and final progress reports. Office of Management and Budget (OMB) Circular A-110, Subpart C, Paragraph .23(a) on cost sharing or matching requires, in part, that cost sharing must be verifiable from the recipient's records.

Similarly, NSF's Grant Policy Manual (GPM) 333.6(a) states awardees shall maintain records of costs that are claimed as being their contribution to cost participation, and further states that these records are subject to audit.

However, we found that STCC did not have a system to identify, track, and report cost sharing. Specifically, STCC failed to (1) provide a summary and supporting documentation for \$1.5 million of cost sharing that it had certified to NSF, (2) ensure that one subcontractor met its required cost sharing of \$30,000 and certify that another subcontractor had met only a portion of its required cost sharing of \$200,000, (3) reduce its subcontractors' reimbursement for services performed on the award because their cost-sharing requirement had not been fully met, and (4) certify its and its subcontractor's cost-shared amounts as part of the annual progress and final project reports submitted to NSF.

- (1) STCC's \$1.5 Million of Required Cost Sharing. The NSF award required STCC to cost share \$1.5 million, separately from the \$230,000 cost sharing that its subcontractors were required to provide. During our audit, we found that STCC had difficulty providing a summary and documentation to support the \$1.5 million of cost sharing that it certified to NSF in a letter dated July 12, 2001. STCC officials spent a considerable amount of time compiling cost-shared summaries and documents during the audit to satisfy the \$1.5 million of cost sharing certified to NSF. Three days before the completion of our audit fieldwork, *Northeast Center for Telecommunications Technology* (NCTT) and STCC officials provided an updated listing of cost-shared items totaling \$1,471,878 along with some supporting documentation, which was \$28,122 less than the \$1.5 million certified to NSF. Given the amount of time STCC required to prepare the cost-sharing schedules, we were unable to substantiate the awardee's \$1.5 million of claimed cost sharing at the time of our audit, and therefore questioned the entire amount claimed.
- (2) Subcontractors' \$230,000 of Required Cost Sharing. In addition to its own cost-sharing requirement of \$1.5 million, the NSF award letter required STCC to ensure that NEBHE and HVCC, two subcontractors, cost share \$30,000 and \$200,000, respectively. We found that STCC did not monitor or document NEBHE and HVCC's progress in meeting their required cost sharing. Therefore during the audit, we contacted the two subcontractors to review the records and documentation each had to support the required cost sharing. We found that NEBHE did not meet any of its required cost sharing of \$30,000, while HVCC did not fully meet its required cost sharing of \$200,000. The Director of Administration and Finance at NEBHE stated that he was unaware of the cost-sharing requirement on the award. HVCC officials provided documentation to support \$167,543 of their required \$200,000 of cost sharing, falling short of the requirement by \$32,457. Therefore, STCC's subcontractors failed to provide a total of \$62,457, or 27 percent, of their \$230,000 cost-sharing obligation.
- (3) Subcontractors' Reimbursement. The NSF award letter stated that if the subcontractors failed to meet their promised cost sharing, STCC should not

reimburse the subcontractors in full for their work on the NSF-funded project. However, we found that over the three-year award period, STCC reimbursed NEBHE and HVCC a total of \$460,338 and \$144,038, respectively. These amounts were full payments for work performed on the award, although the subcontractors did not fully meet their required cost sharing.

- (4) Cost-Sharing Certifications. The NSF award letter required STCC to certify its and the two subcontractors' cost sharing as part of the annual progress and final progress reports submitted to NSF. However, we found that STCC did not provide these periodic cost-sharing certifications, and in July 2001 (approximately four months after the expiration of the award) certified only to its \$1.5 million portion of the cost-sharing commitment. In addition, STCC failed to certify HVCC's progress in meeting its cost sharing as part of these same reports.

The lack of a system in place for cost sharing led STCC to not fully comply with the award's cost-sharing provisions. When asked why the cost-sharing provisions set forth in the award letter were not fully adhered to, current NCTT and STCC officials could not provide an explanation for the lack of oversight by the former Principal Investigator (PI) during the three-year award period. STCC had assigned the responsibility of complying with the cost-sharing requirements to the PI. In its March 2002 written response to our initial draft report findings, STCC acknowledged (1) reporting errors that had been made by the former PI to NSF, (2) the lack of certifications to NSF and detailed cost-sharing documentation, and (3) not requiring subcontractors to provide cost sharing data.

Meeting the award's cost-sharing requirements is important to ensuring that the overall project goals are met. At the end of our initial audit, we believed that STCC needed to develop and implement a cost-sharing system supported by written policies and procedures to ensure compliance with NSF and other Federal requirements. At the end of our return visit to the awardee in July 2004, we found that STCC had taken steps to establish such a cost-sharing system. Nevertheless, we found inadequately supported and questionable cost sharing. See *Follow-up Review of Cost Sharing* for a discussion on the results of our follow-up review, and Schedule B, Note B-2 for discussions related to unsupported, inadequately supported, and questionable cost sharing.)

Result of the Follow-up Review of Cost Sharing

We performed a follow-up review in July 2004 to determine if STCC (1) could provide adequate supporting documentation for \$1,792,327 of cost sharing provided after our initial audit fieldwork, and (2) had a system in place to track, monitor, report, and document cost sharing for its current and future NSF awards. Of the \$1.4 million in cost sharing that we tested, we found that STCC could not provide any support for \$260,186, and also claimed questionable and inadequately supported cost sharing of \$266,031. As a result, we deemed \$526,217 or 29 percent of \$1.7 million of cost sharing claimed as questionable. (See Schedule B, Note B-2 detailing the questionable cost sharing of \$526,217, and the resulting questioned cost impact on the NSF-funded costs). We also determined that STCC had taken steps to establish and implement a cost-sharing system,

which is detailed in the awardee's *Grants Manual*. The manual includes STCC's cost-sharing policies and procedures related to (1) staff salaries, (2) equipment donations, (3) volunteer donated time and consultation, (4) communication costs, (5) travel costs, (6) STCC equipment match, (7) waived indirect costs, (8) monitoring and reporting of subcontractors' cost sharing, and (9) reporting to agencies.

However, additional actions are needed to address two aspects of the material internal control weakness related to cost-shared staff salaries, and maintenance of supporting documentation for other cost sharing.

- (1) Cost-Shared Staff Salaries. We found that STCC did not require after-the-fact labor effort certification for employees whose salary was claimed as cost sharing on the NSF award. Cost-shared salaries represented approximately 23.8 percent of the total \$1.7 million claimed as cost sharing. OMB Circular A-21, Section J.10.b.(2) (b) requires that any of the acceptable methods for documenting the distribution of salaries and wages must recognize the principle of after-the-fact confirmation that costs distributed to an award represent actual costs. At the beginning of each grant year, STCC prepared a release memorandum indicating the percentage of time an employee would be cost-shared or released to work on an award. However, STCC did not require after-the-fact confirmation of the time actually worked on the award. (We did not question the cost-shared salary costs not supported with after-the-fact certifications because we satisfied ourselves through discussions and reviews of other documents that it appeared the staff worked on the NSF project). STCC officials stated that they were not aware of the OMB requirement, but promptly revised their *Grants Manual* to state that any STCC employee whose salary is included as a match on a grant must provide the project director with a certification memorandum every six months over the life of the grant stating that the time was spent in accordance with the agreed upon release percentage. STCC also requires that the certification memorandum summarize all services performed in meeting the award objectives.¹
- (2) Supporting Documentation for Other Cost Sharing. We found that STCC did not always maintain documentation for cost sharing. NSF's GPM Section 333 states that a grantee shall maintain records of all costs claimed as cost sharing and those records are subject to audit. In addition, OMB Circular A-110, Subpart C, Paragraph .23(a) requires that cost sharing must be verifiable from the recipient's records. Of the \$1.4 million of cost sharing we tested, STCC could not support \$260,186 primarily related to in-kind contributions from a partner high school. NCTT and STCC officials made a concerted effort to locate the supporting documentation for the cost sharing during our follow-up review. The officials, however, were unable to obtain the supporting documentation from the partner high school because the school was closed for the summer in July 2004 during our site visit. (NCTT officials planned to follow-up with the high school officials in August 2004 when key

¹ In contrast to cost-shared salaries, we determined that STCC did require and maintain after-the-fact certifications for salaries funded with NSF funds.

personnel returned from summer vacation.) When asked why amounts were claimed as cost sharing that could not be supported, current NCTT and STCC officials had no explanations for the documentation not being maintained, and reiterated that the responsibility for cost sharing during the three-year award had been the responsibility of the former PI.

In general, when an awardee fails to certify salaries and wages claimed as cost sharing or maintain documentation for cost sharing, the allowability, allocability, and reasonableness of the cost sharing is questionable, and provides NSF with less assurance about the project's overall level of success as anticipated when the award was made. We considered the lack of labor effort certification of cost-shared staff salaries and other supporting documentation to be material internal control weaknesses because salaries comprised approximately 23.8 percent of the \$1.7 million claimed as cost sharing, and similarly approximately 17.7 percent of the \$1.4 million of cost sharing we tested was not supported with documentation. If STCC fails to implement corrective action to address these material internal control weaknesses, similar problems may continue to occur on other existing and future NSF awards. As of August 2004, STCC had three active NSF awards totaling approximately \$3.7 million, and the awardee agreed to provide cost sharing of approximately \$1.7 million on one of the awards.

Recommendation No. 2

We recommend that NSF's Division Directors of DIAS and DGA require that STCC strictly adhere to its current system to account for, monitor, adequately document, and report cost sharing as described in its *Grants Manual* to ensure compliance with NSF award and other Federal requirements for current and future NSF awards. STCC's cost-sharing system should include provisions for maintaining after-the-fact labor effort certifications and supporting documentation.

Awardee's Response:

On December 24, 2004 STCC officials responded, through the Commonwealth of Massachusetts to the revised draft audit report and provided additional information that they believed should decrease the total questioned costs. STCC recommended seven adjustments to Schedule A that reduced the questioned cost shares by \$280,923 from \$314,171 to \$32,248. They requested an adjustment of \$133,082 based on additional documentation from the Minuteman Regional High School. They also requested that cost shares be allowed for fringe benefits of 25.3 percent of the direct salaries claimed for cost sharing and for indirect costs of 30 percent of direct salaries. In addition, they requested that cost shares be allowed for the \$35,000 fee paid a consultant and for salaries paid the NCTT chief operations officer and the Co-PI because these cost were for program purposes. STCC requested that a more accurate percentage of 63.4 percent be used in calculating the percentage of allowable NSF funding on Schedule A instead of the 63 percent used.

STCC also responded that since November 2004, they have established in the revised *Grants Manual* new controls:

- that has put in place a system to track labor cost charged to grants. After-the-fact labor effort certifications and supporting documentation is now required on all grants, as reflected in the revised *Grants Manual*;
- that require adequate documentation for all cost sharing and that costs charged to cost sharing are allowable under the award;
- that no payments will be made to sub awardees unless adequate documentation supporting cost sharing is received, as stated in the *Grants Manual*;
- that no contract will be paid at a rate higher than allowable by the funding agency, as reflected in the *Grants Manual*; and
- that they will identify state and private grants used to support cost sharing and ensure that the grants are used for the intended purpose.

Auditor's Comments:

STCC's comments related to the internal control and compliance findings appear responsive to the recommendation. However, the findings cannot be resolved until NSF verifies that the proposed corrective actions have been satisfactorily implemented and all recommendations have been adequately addressed.

We reviewed the additional documentation submitted by STCC to support their request for adjustments to Schedule A. The request for an adjustment of \$133,082 in allowable cost sharing disclosed that the additional documentation had not been reviewed and approved by the principal investigator. Therefore, we cannot accept these invoices as support for cost sharing. We agree that fringe benefits and indirect costs are allowable costs for cost sharing. However, we limited these rates to the rate that STCC used for its claim for fringe benefits and indirect costs as shown on Schedule A. STCC did not provide additional documentation in support of the adjustments for the \$35,000 fee paid a consultant, and for salaries paid the NCTT chief operations officer (\$9,439) and the Co-PI (\$11,426). We agree with STCC's request to use the more accurate percentage of 63.4%.

Based on the additional documentation submitted, we concluded that additional cost shares totaling \$161,407 for fringe benefits and indirect costs met the cost sharing requirements of the award. As a result, we have increased the allowable cost sharing from \$1,266,110 to \$1,427,517 and reduced the questioned NSF funding from \$314,172 to \$195,133. (See Schedule B, Note 2 detailing the questionable cost sharing and the resulting questioned cost impact on the NSF-funded costs.)

We considered this internal control weakness in forming our opinion of whether the *Schedule of Award Costs* (Schedule A) presents fairly, in all material respects, the costs claimed by STCC on the Federal Cash Transactions Reports - Federal Share of Net Disbursements and cost sharing claimed for the period September 1, 1997 to February 28, 2001, in conformity with the *National Science Foundation Audit Guide* (September 1996), *NSF Grant Policy Manual*, the Federal Laws and Regulations, and NSF award terms and conditions, and determined that this report does not affect our report dated, December 13, 2001, on the financial schedule.

This report is intended solely for the information and use of the STCC's management, NSF, the cognizant Federal agency for audit, the Office of Management and Budget, and the Congress of the United States, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
Rockville, MD 20850
December 13, 2001

**Springfield Technical Community College
National Science Foundation Award Number DUE-9751990
Schedule of Award Costs
September 1, 1997 to February 28, 2001**

<u>Cost Category</u>	<u>Approved Budget</u>	<u>(A) Claimed Costs</u>	<u>Reclassi- fications</u>	<u>Claimed Costs After Reclassi- fications</u>	<u>Questioned Costs Amount</u>	<u>Schedule Reference</u>
<i>Direct Costs</i>						
Salaries and Wages	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	
Fringe Benefits	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Travel – STCC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Travel – National Advisory Board	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
<i>Other Direct Costs</i>						
Materials and Supplies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Publications Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Consultant Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	B-1
<i>Subcontractors</i>						
NEBHE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
MRTSHS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
HVCC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
<i>Evaluation</i>						
Communications	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Workshops	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Beta Sites	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Professional Tradespeople	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
<i>Total Direct Costs</i>	\$ 2,815,032	\$ 2,760,357	\$ [REDACTED]	\$ 2,760,357	\$ 35,000	
<i>Indirect Costs</i>						
	184,968	184,968	[REDACTED]	184,968	[REDACTED]	
<i>Total Costs</i>	<u>\$ 3,000,000</u>	<u>\$ 2,945,325</u>	<u>\$ [REDACTED]</u>	<u>\$ 2,945,325</u>	<u>\$ 35,000</u>	
<i>Cost Sharing</i>						
	<u>\$ 1,730,000</u>	<u>\$ 1,792,327</u>	<u>\$ [REDACTED]</u>	<u>\$ 1,792,327</u>	<u>\$ 195,133</u>	B-2

(A) The total representing costs claimed agreed with the expenditures reported on Federal Cash Transactions Report - Federal Share of Net Disbursements as of the quarter ended March 31, 2001. Claimed costs reported above are taken directly from Springfield Technical Community College's books of accounts. See Schedule B and accompanying notes to this financial schedule.

**Springfield Technical Community College
National Science Foundation Award Number DUE – 9751990
Schedule of Questioned Costs
From September 1, 1997 to February 28, 2001**

1. Consultant Services - \$35,000

STCC could not provide documentation to show how and/or to what extent a consultant's work benefited the NSF award. STCC could only provide invoices showing that the consultant arranged for three meetings between NCTT and industry officials for a total cost of \$35,000 (\$5,000 per month from April through November 2000). Current NCTT and STCC officials were unable to provide additional supporting documentation for us to assess whether the costs had been reasonable, allocable, and allowable.

In addition, we found that the consultant was paid \$1,250 per day, as stated in the contract agreement between STCC and the consultant, for four days a month over a seven-month period. The GPM 616.1(c) states that payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee unless specifically authorized by law. Therefore, STCC should have paid the consultant no more than \$443 per day for services rendered.

As a result, because STCC did not have supporting documentation that clearly described how the consulting costs could be perceived as acceptable claimed costs, and consultant payments exceeded the allowable consultant's daily rate of pay, we questioned the entire \$35,000 claimed to the award. (We also questioned the same \$35,000 of consultant services costs that STCC claimed as cost sharing to the NSF award. See Schedule B, Note-2, G. below.)

2. \$314,172 Questioned NSF Funding (due to \$526,217 Questionable Cost Sharing)

During our initial review of cost sharing in the Fall of 2001, we found that STCC did not have a system in place, which included written policies and procedures, for recording, monitoring, documenting, and reporting its institution's and its subcontractors' required cost sharing on the NSF award. As a result, current NCTT and STCC officials had difficulty providing a summary of cost sharing along with supporting documentation that the awardee had certified to NSF as being met. Three days before the completion of our audit fieldwork, NCTT and STCC officials provided a listing of cost-shared items totaling \$1,471,878 along with some supporting documentation, which was \$28,122 less than the \$1.5 million certified to NSF. Therefore, at the time of our initial audit, STCC failed to provide a summary with documentation to support the \$1.5 million in cost sharing that it had certified to

NSF as being met, and the \$1.4 million of cost sharing provided during the audit was not provided to us in a timely manner for an adequate review.

In an effort to provide useful information to NSF management on STCC's cost sharing, in July 2004 we (along with two representatives from NSF's Office of Inspector General) returned to STCC and conducted a follow-up review of \$1.7 million of claimed cost sharing that the awardee provided in response to our initial draft audit report. Of the \$1.7 million claimed as cost sharing, we selected a sample and tested \$1.4 million during our return visit. We found that STCC could not provide supporting documentation for \$260,186 and included questionable and inadequately supported cost sharing of \$266,031. Therefore, we found a total of \$526,217 questionable cost sharing as summarized in detail below:

<u>Costs Not Supported With Documentation</u>	<i>Dollar Amount</i>	<i>Note</i>
<i>Year 1 (June 1997 through August 1998)</i>		
Employee Salary Costs – [REDACTED]	\$ 2,022.60	A.
Minuteman Regional High School	56,300.00	B.
Microsoft	3,322.00	C.
<i>Year 2 (September 1998 through August 1999)</i>		
Employee Salary Costs	3,708.10	A.
Minuteman Regional High School	180,000.00	B.
<i>Year 3 (September 1999 through August 2000)</i>		
Employee Salary Costs	3,708.10	A.
Campus Performance Improvement Program Grant – Curriculum Development	<u>11,125.00</u>	D.
<i>Subtotal</i>	\$ 260,185.80	
<u>Questionable and Inadequately Supported Costs</u>		
<i>Year 1 (June 1997 through August 1998)</i>		
Interior Office Furniture	\$ 19,605.42	E.
New NCTT Facility - Renovation	200,000.00	E.
<i>Year 3 (September 1999 through August 2000)</i>		
Employee Salary Costs – [REDACTED]	11,425.50	F.
Consulting Services	<u>35,000.00</u>	G.
<i>Subtotal</i>	\$ 266,030.92	
<i>Grand Total of Questionable Cost Sharing</i>	<u>\$ 526,216.72</u>	

- A. Employee Salary Costs. STCC was unable to provide documentation to support \$9,439 claimed as cost-shared salary cost for an employee who served as an [REDACTED] over the three-year period of the award.

Office of Management and Budget (OMB) Circular A-110, Subpart C, Paragraph .23(a) on cost sharing or matching requires in part that cost sharing must be verifiable from the recipient's records. Similarly, NSF's Grant Policy Manual (GPM) 333.6(a) states awardees shall maintain records of costs that are claimed as being their contribution to cost participation, and the GPM further states that these records are subject to audit.

Therefore, we identified \$9,439 of questionable employee salary costs that STCC claimed as cost sharing for the three-year period of the award.

- B. Minuteman Regional High School. STCC was unable to provide documentation to support \$56,300 and \$180,000 for Year 1 and Year 2, respectively, for costs incurred by Minuteman Regional High School, a partner school in the NSF-funded telecommunications technology project. For Year 3 of the award, STCC provided documentation to support \$22,800 of cost sharing provided by Minuteman Regional High School, but could not provide support for \$236,300 claimed as cost sharing in the first two years of the award. Current NCTT and STCC officials stated that they would try to obtain the documentation from Minuteman Regional High School officials in August 2004 when key personnel returned from summer vacation.

As we mentioned in *Note A.* above, OMB Circular A-110 requires that cost sharing must be verifiable from the awardee's records, and the GPM states awardees shall maintain records of cost sharing, which are subject to audit.

Therefore, we identified \$236,300 of questionable cost sharing claimed by STCC for the partnering activities of Minuteman Regional High School.

- C. Microsoft Corporation. STCC could not provide supporting documentation for \$3,322 of the \$10,000 claimed as cost sharing provided by Microsoft Corporation. STCC provided documentation supporting \$6,678 for Microsoft Corporation's donation of software and press titles. A NCTT official provided a rough estimate related to weekly administrative costs for the remaining \$3,322, but was unable to provide any additional support for the costs.

As we mentioned in *Note A.* above, OMB Circular A-110 requires that cost sharing must be verifiable from the awardee's records, and the GPM states awardees shall maintain records of cost sharing, which are subject to audit.

Therefore, we identified \$3,322 of questionable cost sharing claimed by STCC for donations made by Microsoft Corporation.

D. Campus Performance Improvement Program (CPIP) Grant. STCC provided documentation that did not fully support the amount claimed as cost sharing for a CPIP grant. The awardee claimed cost sharing of \$140,000 for curriculum development under the CPIP grant, which was a State of Massachusetts grant to develop a prototype for cost-effective, pedagogically sound, delivery method of technical courses. STCC provided documentation supporting costs of \$128,875, which fell short of the claimed cost-shared amount by \$11,125.

As we mentioned in *Note A.* above, OMB Circular A-110 requires that cost sharing must be verifiable from the awardee's records, and the GPM states awardees shall maintain records of cost sharing, which are subject to audit.

Therefore, we identified \$11,125 of questionable cost sharing claimed by STCC for the CPIP grant.

E. Office Furniture and Renovation. STCC claimed office furniture and renovation costs as cost sharing in Year 1 of the award for furnishing and renovating the office space used for the NCTT. STCC provided supporting documentation for \$18,371.42 of the \$19,605.42 claimed for office furniture and \$30,715.05 of the \$200,000 claimed for renovation. Despite the fact that STCC could provide supporting documentation for \$49,086.47 of the claimed office furniture and renovation costs, we questioned all of the claimed office furniture and renovation costs because the NSF program announcement stated that NSF project funds may not be used for (1) general utility items such as office equipment, benches, tables, desks, chairs, storage cases and routine supplies, and (2) the modification or construction of laboratories or other buildings. We confirmed with the cognizant NSF program officer that the program announcement specific restrictions also applied to cost-shared funds.

Therefore, we identified \$219,605.42 of questionable cost sharing claimed by STCC for office furniture and renovation.

F. Employee Salary Costs. STCC claimed salary costs for the NCTT [REDACTED] of \$45,702 during Year 3 of the award based on a 100 percent release from his normal teaching schedule to work on the NCTT project. However, the release memorandum for [REDACTED], which had been signed at the beginning of the academic year by the [REDACTED], only supported a release time of 75 percent. We therefore identified 25 percent or \$11,426 of questionable cost sharing claimed by STCC for salary costs.

G. Consulting Services. (See Schedule B, Note B-1 above.)

On December 24, 2004 STCC responded, through the Commonwealth of Massachusetts to the revised draft audit report and provided additional information that it believed should decrease the total questioned costs. STCC recommended seven adjustments to Schedule A that reduced the questioned cost shares by \$280,923 from \$314,171 to \$32,248.

1. An adjustment of \$133,082 in allowable cost sharing supported by additional documentation from Minuteman Regional High School.
2. An adjustment of \$103,370 in allowable cost sharing for fringe benefits of 25.3% of direct salaries totaling \$408,742. An amount for fringe benefits was omitted from the original cost-sharing schedule submitted in March of 2002.
3. An adjustment of \$122,623 in allowable cost sharing for indirect costs of 30% of direct salaries totaling \$408,742.
4. An adjustment of \$35,000 for the consultant because this cost was incurred to support the program.
5. An adjustment of \$9,439 for the NCTT [REDACTED] because he did perform the duties during the grant period.
6. An adjustment of \$11,426 for [REDACTED] who performed duties during the grant period.
7. An adjustment of \$17,748 for questioned cost sharing by using a more accurate percentage of 63.4% instead of the 63% used by the auditors in calculating the percentage of allowable NSF funding on Schedule A.

We reviewed the additional documentation submitted by STCC to support their request for adjustments to Schedule A. The following are the results of our review:

1. The request for an adjustment of \$133,082 in allowable cost sharing disclosed that the additional documentation had not been reviewed and approved by the principal investigator. Also, the documentation did not contain a certification or statement from an official of the Minuteman Regional High School that the work, materials, and other services covered by these invoices had been performed in support of the grant project. Therefore, we cannot accept these invoices as support for cost sharing.
2. The request to allow cost share of \$103,370 based on a fringe benefit rate of 25.3% of direct salaries totaling \$408,742 disclosed that \$60,903 could be supported. We agree that fringe benefits are an allowable cost share; however, the fringe benefit rate for cost sharing should be limited to the rate that STCC used for its claim for direct fringe benefits. Schedule A showed that STCC claimed direct salaries and wages totaling \$753,749 and claimed

fringe benefits totaling \$112,589, a fringe benefit rate of 14.9% of direct salaries and wages. Applying this rate to the cost sharing direct salaries of \$408,742, allowable fringe benefits would total \$60,903.

3. The request to allow cost shares of \$122,623 based on an indirect cost rate of 30% of direct salaries totaling \$408,742 disclosed that \$100,504 could be supported. We agree that indirect costs are an allowable cost share; however the indirect cost rate for cost sharing should be limited to the rate that STCC used for its claim for indirect costs. According to the grant budgets, indirect costs were based on direct salaries and fringe benefits. Schedule A showed that STCC claimed indirect cost totaling \$184,968 and salaries and fringe benefits totaled \$866,338, an indirect cost rate of 21.4%. Cost share salaries totaled \$408,742 and allowable fringe benefits totaled \$60,903, a total of \$469,645 X 21.4% = \$100,504 allowable indirect costs.
4. The request to allow cost share of \$35,000 for the consultant because the cost incurred was in support of the program disclosed that no additional supporting documentation was provided. Since STCC did not have documentation to support that work was performed and the daily payments of \$1,250 exceeded, at that time, the Federal daily payment limitation of \$443, we continue to question the cost shares claimed for the payments totaling \$35,000 made to a consultant.
5. The request to allow cost share of \$9,439 for [REDACTED] because he did perform the duties during the grant period disclosed that no additional supporting documentation was provided. STCC did not have additional documentation supporting that work was performed on the project and the amount of salary earned performing this work. Therefore, we continue to question the \$9,439 claimed as cost shares for [REDACTED].
6. The request to allow cost share of \$11,426 for [REDACTED] because [REDACTED] performed the duties during the grant period disclosed that no additional supporting documentation was provided. STCC had documentation from [REDACTED] that the Co-PI received a 75% release from [REDACTED] normal teaching duties so [REDACTED] could work on the NCTT project. However, no after-the-fact certification or other documentation was provided. Without additional documentation, we continue to question the \$11,426 claimed as cost shares for [REDACTED].
7. The request to allow cost share of \$17,748 based on a more accurate percentage for calculating the allowable NSF funding. STCC pointed out that we rounded the percentage down to 63% while they used a more accurate percentage of 63.4%. STCC added that this change in calculation reduced the questioned cost by \$17,748. We agree with STCC's request to use the more accurate percentage of 63.4%.

Based on the additional documentation submitted, we concluded that additional cost shares totaling \$161,407 for fringe benefits and indirect costs met the cost sharing requirements of the award. As a result of this review, we have increased the allowable cost sharing from \$1,266,110 to \$1,427,517 and reduced the questioned NSF funding from \$314,172 to \$195,133.

	PREVIOUS AMOUNTS		REVISED AMOUNTS	
Budgeted NSF Funding	\$3,000,000	63%	\$3,000,000	63.4%
Plus: Budgeted STCC Cost Sharing	<u>1,730,000</u>	<u>37%</u>	<u>1,730,000</u>	<u>36.6%</u>
Total Program Budget	<u>\$4,730,000</u>		<u>\$4,730,000</u>	
Claimed NSF Funding	\$2,945,325		\$2,945,325	
Less: Questioned NSF Funding	<u>(35,000)</u>		<u>(35,000)</u>	
Allowable NSF Funding	<u>\$2,910,325</u>	(a)	<u>\$2,910,325</u>	(a)
Claimed Cost Sharing	\$1,792,327		\$1,792,327 *	
Less: Questioned Cost Sharing	<u>(526,217)</u>		<u>(526,217)</u>	
Add: Allowable Cost Shares				
Additional Documentation – Item No. 1			0	
Fringe Benefits – Item No. 2			60,903	
Indirect Costs – Item No. 3			100,504	
Consultant Costs – Item No. 4			0	
██████████ – Item No. 5			0	
██████████ – Item No. 6			0	
Allowable Cost Sharing	<u>\$1,266,110</u>	(b)	<u>\$1,427,517</u>	(b)
Total Program Costs Incurred (a) + (b)	\$4,176,434		\$4,337,842	
Allowable NSF Funding (63% of \$4,176,434)	\$2,631,153			
(63.4% of \$4,337,842)			\$2,750,192	
Costs Claimed by STCC	\$2,945,325		\$2,945,325	
Less: Maximum Allowable NSF Funding	<u>(2,631,153)</u>		<u>(2,750,192)</u>	
Questioned NSF Funding (due to \$526,217				
Questionable Cost Sharing)	\$ 314,172	(c)	\$ 195,133	(c)

(See Finding and Recommendation No.2 in the *Independent Auditors' Report on Compliance With Laws and Regulations and Internal Control Over Financial Reporting.*)

* We did not restate the amount of claimed cost sharing.

Schedule C

**Springfield Community College
Summary Schedules of Award Audited and Audit Results
From September 1, 1997 to February 28, 2001**

Summary of Award Audited

Award Number	Award Period	Audit Period
DUE-9751990	09/01/97 – 02/28/01	09/01/97 – 02/28/01

Award Number	Type of Award	Award Description
DUE-9751990	Grant	The purpose of the award was to fund “The Northeast Center for Telecommunications.” The goals and objectives of the project were to increase the number of trained persons in the competitive telecommunications industry.

Summary of Questioned Costs by Award

NSF Award Number	Award Budget	Claimed Costs	Questioned Costs	Unsupported Costs
DUE-9751990	\$3,000,000	\$2,945,325	\$230,133	\$0

Summary of Questioned Costs by Explanation

Condition	Questioned Cost	Unsupported Costs	Non-compliance	Internal Control Weaknesses (Reportable/ Material Weakness?)
1. STCC did not have supporting documentation that clearly described how the consulting costs	\$35,000	\$0	Yes	Material

Condition	Questioned Cost	Unsupported Costs	Non-compliance	Internal Control Weaknesses (Reportable/ Material Weakness?)
could be perceived as acceptable claimed costs, and the consultant payments exceeded the allowable Federal daily rate of pay to a consultant.				
2. STCC could not support \$260,186 of cost sharing, and claimed questionable and inadequately supported cost sharing of \$266,031, which led us to question \$314,171 of the NSF-funded costs. Additional documentation was submitted by STCC. As a result, questioned costs were reduced to \$195,133.	\$195,133	\$0	Yes	Material

Summary of Non-Compliance Issues and Internal Control Weaknesses

Condition	Non-compliance	Internal Control	Is Internal Control Weaknesses Material or Reportable?
Thirty five thousand dollars in consultant costs were questioned because STCC could not provide documentation to show how and/or to what extent a consultant's work benefited the award and the consultant payments exceeded the maximum allowable consultant's daily rate of pay.	Yes	Yes	Material

Condition	Non-compliance	Internal Control	Is Internal Control Weaknesses Material or Reportable?
<p>STCC could not support \$260,186 of cost sharing, and claimed questionable and inadequately supported cost sharing of \$266,031, which led us to question \$314,171 of the NSF-funded costs. In addition, STCC did not require after-the-fact certification for employees whose salary was claimed as cost sharing on the award. Additional documentation was submitted by STCC. As a result, questioned costs were reduced to \$195,133.</p>	Yes	Yes	Material

Springfield Technical Community College
Notes to the Financial Schedules
From September 1, 1997 to February 28, 2001

Note 1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules have been prepared in conformity with National Science Foundation (NSF) instructions. Schedule A has been prepared from the reports submitted to NSF. The basis of accounting used in the preparation of these reports differs from generally accepted accounting principles. The following summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess of cash received from NSF over final expenditures is due back to NSF.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the *Schedule of Award Costs* include the cost of equipment purchased during the period rather than a provision for depreciation.

Except for awards with nonstandard terms and conditions, title to equipment under NSF awards vests in the recipient, for use in the project or program for which it was acquired, as long as it is needed. The recipient may not encumber the property without approval of the federal awarding agency, but may use the equipment for its other federally sponsored activities, when it is no longer needed for the original project.

C. Inventory

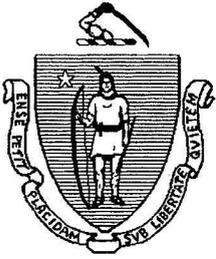
Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedule.

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by the awardee. The departure does not constitute a material weakness in internal controls.

Note 2. Income Taxes

Springfield Technical Community College (STCC) is a private nonprofit corporation, incorporated under the laws of the Commonwealth of Massachusetts. STCC is exempt from income taxes under the Internal Revenue Code. It is also exempt from the Commonwealth of Massachusetts franchise or income tax.

**APPENDIX A SPRINGFIELD TECHNICAL COMMUNITY COLLEGE'S
COMMENTS TO THE REPORT**



Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

[REDACTED]
[REDACTED]

Phone (617) 727-5000
Fax (617) 727-2163
Internet <http://www.mass.gov/osc>

December 24, 2004

[REDACTED]

Office of Inspector General
National Science Foundation
4201 Wilson Blvd., Suite 1135
Arlington, VA 22230

RE: Audit of National Science Foundation (NSF) Award DUE-9751990

Dear [REDACTED]:

We have reviewed Leon Snead & Company's audit of Springfield Technical Community College (STCC). Thank you for requesting our comments. After analyzing STCC's response, we believe STCC has appropriately prepared new controls in the area of grants management. Through the preparation of a grants manual, STCC has incorporated suitable internal controls into this business area. STCC has also responded to the findings with, in some cases, additional information that should decrease the total questioned costs. Please let us know as well as STCC as soon as possible if you approve of any adjustment to the total questioned costs based on the additional information that STCC has provided you.

Please contact me if you wish to discuss any particular portion of the audit in more depth. STCC has asked me to include documentation with this response, which is attached.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'M' or similar character.

[REDACTED]
[REDACTED]

cc: [REDACTED]

Enclosures

December 16, 2004

[REDACTED]
[REDACTED]
Leon Snead & Company, P. C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

RE: Audit of National Science Foundation (NSF) Award DUE-9751990

Dear [REDACTED]:

This is Springfield Technical Community College's (College) response to the draft report dated December 13, 2001 of the audit of NSF Award DUE-9751990 for the period September 1, 1997 to February 28, 2001.

We appreciate the acknowledgement of corrective measures instituted by the College following the 2001 audit on financial schedules as well as those measures initiated during the follow-up review of cost sharing in July 2004.

FOLLOW-UP REVIEW OF COST SHARING

The audit report addressed two internal control weaknesses related to cost share staff salaries and supporting documentation for cost sharing. Described below are the controls we have established to address these two areas on a prospective basis:

1. Cost-Shared Staff Salaries

New Controls: Since November 2004, the College has put in place a system to track labor costs charged to grants. After-the-fact labor effort certifications and supporting documentation is now required on all grants as reflected in the revised STCC Grants Manual (Attachment 1).

2. Supporting Documentation for Other Cost Sharing

New Controls: The College now requires adequate documentation for all cost sharing and is making sure that all costs charged to cost sharing is an allowable cost under the award before a payment will be made to sub awardees. No payment will be made to sub awardees unless adequate document for cost sharing match is received as stated in the

Grants Manual (Attachment 1) under **Monitor and Reporting on Subcontractor Cost Sharing**.

SCHEDULE OF QUESTIONED COSTS

1. Consultant Services - \$35,000

The consultant service was contracted for the technical guidance and advisory support with no specific stated deliverables.

New Controls: No contract will be paid at a rate higher than allowable by the funding agencies as reflected in the Grants Manual (Attachment 1).

2. Cost Sharing – \$314,171

Note A – Employee Time

Even though release time documentation could not be located for the NCTT [REDACTED] [REDACTED] the person confirmed that [REDACTED] performed [REDACTED] duties for this grant during the audit period of 1997 through 2000. Further, there is no evidence that any other person performed the duties for the grant.

New Controls: Since November 2004, the College has put in place a system to track labor costs charged to grants. After-the-fact labor effort certifications and supporting documentation is now required on all grants as reflected in the revised STCC Grants Manual (Attachment 1).

Note B – Minuteman Regional High School

Subsequent to the audit of August 2004, the college has received documentation (Attachment 2) in the amount of \$133,082 from Minuteman Regional High School. This reduces the questioned cost to \$103,218 for this item.

New Controls: No payment will be made to sub awardees unless adequate document for cost sharing match is received as stated in the Grants Manual (Attachment 1) under section entitled Monitor and Reporting on Subcontractor Cost Sharing.

Note C – Microsoft Corporation

A private grant of \$10,000 was initially intended to be used to support the NSF Program, however only \$6,678 was spent on the NSF Activities.

New Controls: The College will identify private grants that are being used to support cost sharing in the future and ensure that the grant is used for the intended purpose

Note D – Campus Performance Improvement Program

Even though a State grant of \$140,000 was budgeted to be a cost share expense for the NSF program, only \$128,875 was spent on the NSF Activities as originally intended.

New Controls: The College will identify state grants that are being used to support cost sharing in the future and ensure that the grant is used for the intended purpose.

Note E – Office Furniture and Renovation

The renovation was provided for in the award documents as part of our cost sharing. The College was led to believe that upgrading the laboratory facilities was an allowable cost.

New Controls: As mentioned above in Note B, the College now requires adequate documentation for all cost sharing and is making sure that all costs charged to cost sharing is an allowable cost under the award.

Note F – Employee Time

The college prepared the release memo with the intention that the [REDACTED] would still be teaching one class, however, [REDACTED] did not teach the class as intended instead [REDACTED] devoted 100% of [REDACTED] effort toward the program.

New Controls: The College's new system that is in place to document cost sharing on grant effort would have supported that 100% of the individual's time was devoted to the grant work.

Note G/Schedule A

The College disagrees with the amount of Questioned Cost Sharing calculated by the auditors as detailed in Schedule A. The College is recommending seven adjustments to Schedule A (Attachment 4) totaling \$280,923.

The first adjustment of \$133,082 in allowable cost sharing is supported by additional documentation (Attachment 2) from Minuteman Regional High School.

The second adjustment of \$103,370 reflects 25.3% in fringe benefits on cost sharing direct salaries of \$408,742 which was omitted from the original cost sharing schedule submitted March 2002 (Attachment 3).

The third adjustment is \$122,623 of indirect cost of 30% on cost sharing direct salaries of \$408,742 shown in Attachment 3.

The fourth adjustment is \$35,000 for the consultant because it was a cost incurred to support the program.

The fifth adjustment of \$9,439 is for the NCTT [REDACTED] because [REDACTED] did perform the duties during the grant period.

The sixth adjustment of \$11,426 is for [REDACTED] who also performed duties during the grant period.

The seventh and final adjustment to Schedule A relates to the method of calculating the percentage of Allowable NSF Funding. The auditors rounded the percentage down to 63% while the College used a more accurate percentage of 63.4%. This change in calculation reduced the questioned cost sharing by \$17,748.

These seven recommended adjustments would result in Question Cost Sharing of \$33,428 versus \$314,171 as calculated by the auditors.

Thank you for your attention to this response. If further clarification is required, do not hesitate to contact us.

Sincerely,

[Redacted Signature]

Cc: [Redacted]
Office of Inspector General

HOW TO CONTACT
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