

# Performance Audit of Incurred Costs – University of New Hampshire

REPORT PREPARED BY COTTON & COMPANY  
ASSURANCE AND ADVISORY, LLC





# At a Glance

Performance Audit of Incurred Costs – University of New Hampshire  
OIG 24-1-004 | January 26, 2024

## AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company Assurance and Advisory, LLC (C&C) to conduct a performance audit of costs that the University of New Hampshire (UNH) incurred on 189 NSF awards during the period of October 1, 2019, to September 30, 2022. The auditors tested approximately \$1.7 million of the more than \$40.3 million of costs claimed during the period. The audit objectives included determining if costs claimed by UNH on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and federal financial assistance requirements. A description of the audit's objectives, scope, and methodology is attached to the report as Appendix B.

## AUDIT RESULTS

The report highlights concerns about UNH's compliance with certain federal and NSF award requirements, NSF award terms and conditions, and UNH policies. The auditors questioned \$7,754 of costs claimed by UNH during the audit period. Specifically, the auditors found \$4,604 of unallowable expenses and \$3,150 of inadequately supported service expenses. The auditors also identified one compliance related finding for which there were no questioned costs: non-compliance with UNH policies and procedures. In addition to the three findings, the audit report includes one area for improvement for UNH to consider related to insufficient controls over the application of indirect cost rates. 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 and one area for improvement in the report with associated recommendations for NSF to direct UNH to resolve the questioned costs UNH disagrees with, provide documentation supporting that it repaid or otherwise credited the questioned costs UNH agreed to reimburse, and to ensure UNH strengthens administrative and management controls.

## AUDITEE RESPONSE

UNH agreed with most of the findings and agreed to reimburse NSF \$4,604 in questioned costs. UNH's response is attached to the report, in its entirety, as Appendix A.

## CONTACT US

For congressional, media, and general inquiries, email [OIGPublicAffairs@nsf.gov](mailto:OIGPublicAffairs@nsf.gov).



**NATIONAL SCIENCE FOUNDATION**  
**Office of Inspector General**

**MEMORANDUM**

**DATE:** January 26, 2024

**TO:** Quadira Dantro  
Director  
Division of Institution and Award Support

Jamie French  
Director  
Division of Grants and Agreements

**FROM:** for Theresa S. Hull [REDACTED]  
Assistant Inspector General for Audits

**SUBJECT:** Final Report No. 24-1-004, *University of New Hampshire*

This memorandum transmits the Cotton & Company Assurance and Advisory, LLC (C&C) report for the audit of costs charged by the University of New Hampshire (UNH) to 189 NSF awards during the period of October 1, 2019, to September 30, 2022. The audit encompassed approximately \$1.7 million of the more than \$40.3 million of costs claimed during the period. The audit objective was to determine if costs claimed by UNH on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and federal financial assistance requirements. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix B.

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 Keith Nackerud at 703-292-7100 or [OIGPublicAffairs@nsf.gov](mailto:OIGPublicAffairs@nsf.gov).

Attachment

CC: Stephen Willard, Dan Reed, Victor McCrary, John Veysey, Ann Bushmiller, Karen Marrongelle, Teresa Grancorvitz, Christina Sarris, Janis Coughlin-Piester, Alex Wynnyk, Rochelle Ray, Charlotte Grant-Cobb

## EXECUTIVE SUMMARY

The Cotton & Company Assurance and Advisory, LLC audit team determined that the University of New Hampshire (UNH) needs improved oversight of the allocation and documentation of expenses charged to NSF awards to ensure costs claimed are reasonable, allocable, and allowable in accordance with all federal and NSF regulations, NSF award terms and conditions, and UNH policies and procedures. Specifically, the audit report includes three findings, one area for improvement, and a total of \$7,754 in questioned costs.

## AUDIT OBJECTIVES

The National Science Foundation Office of Inspector General engaged Cotton & Company Assurance and Advisory, LLC (herein referred to as “we”), to conduct a performance audit of costs UNH claimed during the period of October 1, 2019, to September 30, 2022. The audit objectives included evaluating UNH’s award management environment to determine whether any further audit work was warranted and performing additional audit work, as determined appropriate. We have attached a full description of the audit’s objectives, scope, and methodology as [Appendix B](#).

## AUDIT CRITERIA

The audit team assessed UNH’s compliance with 2 Code of Federal Regulations (CFR) 200 (versions effective 12/26/2014 and 11/12/2020); NSF Proposal and Award Policies and Procedures Guides (PAPPGs) 16-1, 17-1, 18-1, 19-1, 20-1 and 22-1; NSF award terms and conditions; and UNH policies and procedures. The audit team included references to relevant criteria within each finding and defined key terms within the Glossary located in [Appendix E](#).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States.

## AUDIT FINDINGS

As summarized in [Appendix C](#), the auditors identified and questioned \$7,754 of direct and indirect costs that UNH inappropriately claimed during the audit period, including:

- \$4,604 of unallowable expenses
- \$3,150 of inadequately supported service expenses

The audit report also includes one compliance-related finding for which the auditors did not question any costs:

- Non-compliance with UNH policies and procedures

In addition to the three findings, the audit report includes one area for improvement for UNH to consider related to:

- Insufficient controls related to the application of indirect cost rates

## RECOMMENDATIONS

The audit report includes seven recommendations and one consideration for NSF’s Director of the Division of Institution and Award Support related to resolving the \$7,754 in questioned costs and ensuring UNH strengthens its award management environment, as summarized in [Appendix D](#).

## AUDITEE RESPONSE

UNH agreed with a majority of the findings in the report, agreeing to reimburse NSF for \$4,604 in questioned costs. UNH’s response is attached, in its entirety, to the report as [Appendix A](#).

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## Abbreviations

<b>ACM\$</b>	Award Cash Management Service
<b>CFR</b>	Code of Federal Regulations
<b>FY</b>	Fiscal Year
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>GL</b>	General Ledger
<b>NICRA</b>	Negotiated Indirect Cost Rate Agreement
<b>NSF</b>	National Science Foundation
<b>OIG</b>	Office of Inspector General
<b>PAPPG</b>	Proposal and Award Policies and Procedures Guide
<b>PI</b>	Principal Investigator
<b>POP</b>	Period of Performance
<b>UNH</b>	University of New Hampshire

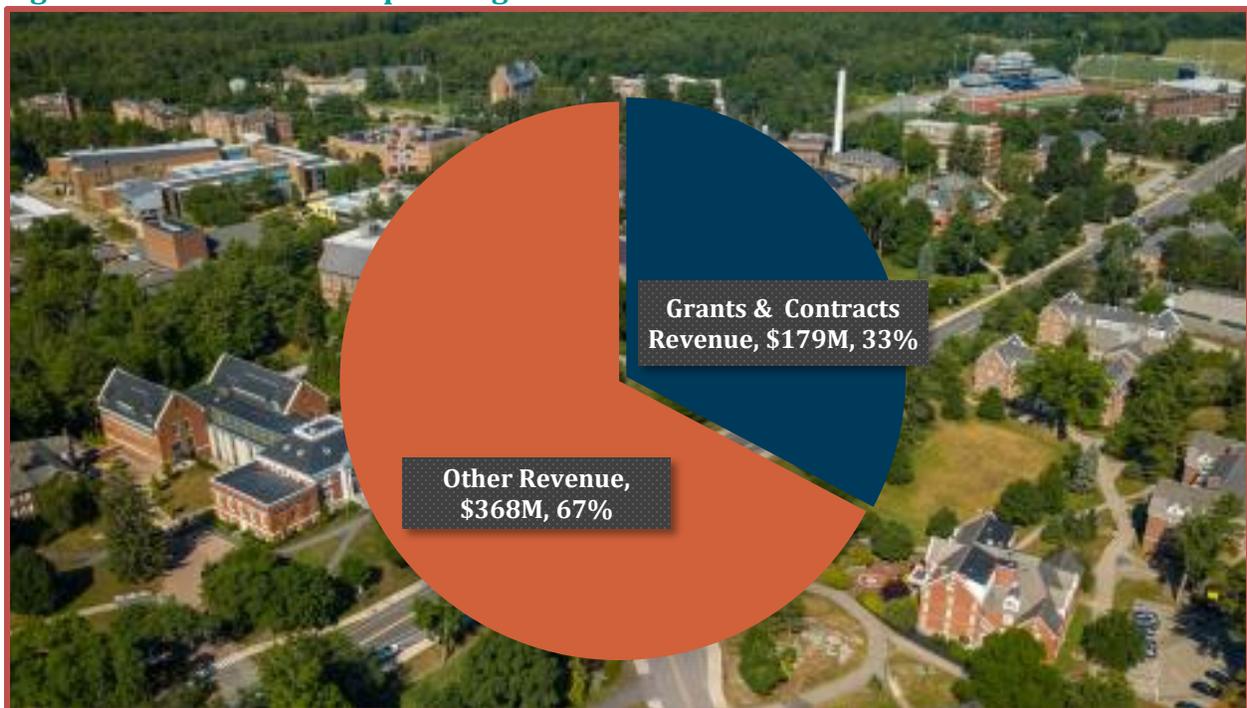
## BACKGROUND

The National Science Foundation is an independent federal agency created “to 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). NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions throughout the United States.

Most federal agencies have an Office of Inspector General that provides independent oversight of the agency’s programs and operations. Part of NSF OIG’s mission is to conduct audits and investigations to prevent and detect fraud, waste, and abuse. In support of this mission, NSF OIG may conduct independent and objective audits, investigations, and other reviews to promote the economy, efficiency, and effectiveness of NSF programs and operations, as well as to safeguard their integrity. NSF OIG may also hire contractors to provide these audit services.

NSF OIG engaged Cotton & Company Assurance and Advisory, LLC (herein referred to as “we”), to conduct a performance audit of costs claimed by the University of New Hampshire (UNH). UNH is a public institution of higher education, located in Durham, New Hampshire. In fiscal year (FY) 2022, UNH reported approximately \$547 million in operating revenues, with \$179 million received from contracts and grants—including NSF—as illustrated in Figure 1.

**Figure 1: UNH’s FY 2022 Operating Revenues**



Source: The chart data is supported by the *University System of New Hampshire 2022 Annual Financial Report*. <https://www.usnh.edu/sites/default/files/media/2022-annual-report.pdf>  
The photo of UNH’s campus is publicly available on UNH’s website. <https://www.unh.edu/facilities/>

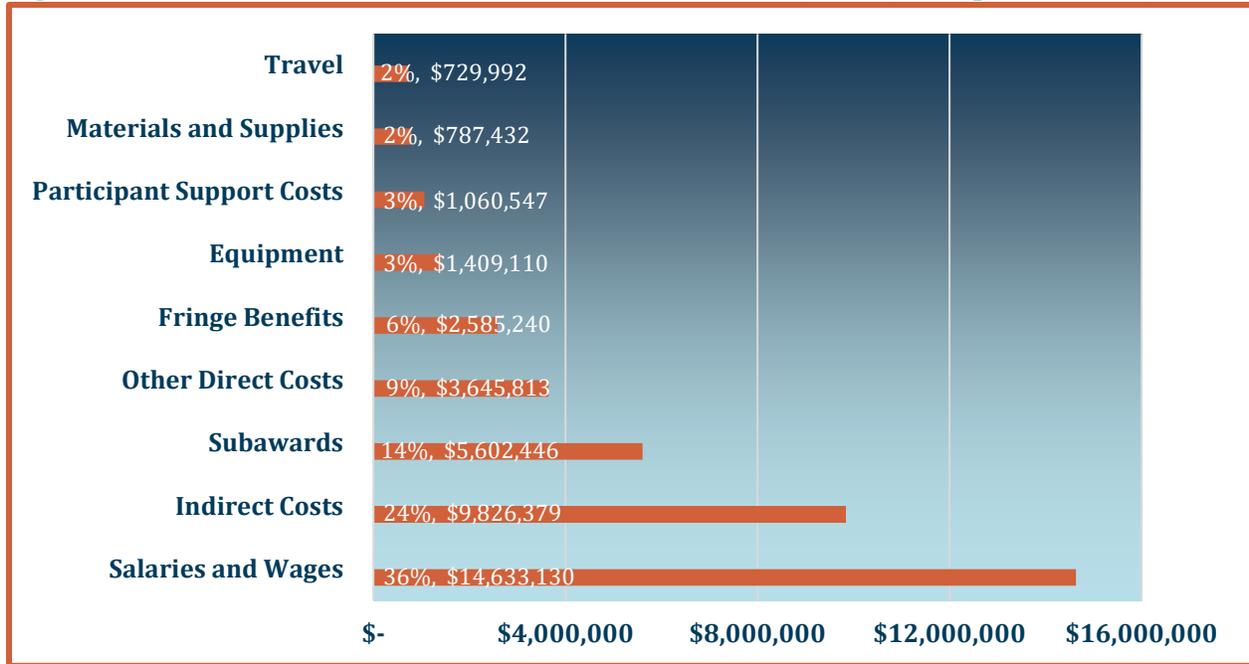
## AUDIT SCOPE

This performance audit—conducted under Order No. 140D0422F0885—was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report ([Appendix B](#)) and was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States.

The objectives of this performance audit were to evaluate UNH’s award management environment; determine whether costs claimed on NSF awards were allowable, allocable, reasonable, and in compliance with relevant federal and NSF regulations; determine whether any further audit work was warranted; and perform any additional audit work, as determined appropriate. [Appendix B](#) provides detailed information regarding the audit scope and methodology used for this engagement.

As illustrated in Figure 2, UNH provided general ledger (GL) data to support the \$40.3 million in expenses it claimed on 189 NSF awards during our audit [period of performance \(POP\)](#) of October 1, 2019, to September 30, 2022.

**Figure 2: Costs Claimed on NSF Awards from October 1, 2019, to September 30, 2022<sup>1</sup>**



*Source:* Auditor analysis of GL data UNH provided illustrating the total costs (\$40,280,089), by expense type, claimed on NSF awards during the audit period. The Other Direct Costs category includes other direct costs, consultant services, and publications.

<sup>1</sup> The \$40,290,313 that UNH claimed in NSF’s Award Cash Management Service (ACM\$) exceeded the total award-related expenses that UNH reported in its GL. As UNH was able to provide justification for all material discrepancies, we determined the GL data provided was appropriate for the purposes of this engagement. Refer to the [Objectives, Scope, and Methodology](#) section of this report for additional details.

We judgmentally selected 44 transactions totaling \$1,689,347<sup>2</sup> (see Table 1) and evaluated supporting documentation to determine whether the costs claimed on the NSF awards were **allocable**, **allowable**, and **reasonable**, and whether they were in conformity with NSF award terms and conditions, organizational policies, and applicable federal financial assistance requirements.

**Table 1: Summary of Selected Transactions**

Budget Category	Transaction Count	Expense Amount <sup>3</sup>
Equipment	2	\$770,480
Subawards	4	529,913
Other Direct Costs	12	129,261
Participant Support Costs	2	88,875
Consultant Services	2	59,303
Salaries and Wages	8	40,169
Materials and Supplies	5	29,218
Indirect Costs	1	17,434
Travel	5	13,457
Fringe Benefits	2	7,847
Publications	1	3,390
<b>Total</b>	<b><u>44</u></b>	<b><u>\$1,689,347</u></b>

Source: Auditor summary of selected transactions.

## AUDIT RESULTS

We identified and questioned \$7,754 in costs that UNH charged to four NSF awards. We also identified expenses that UNH charged to three NSF awards that did not result in **questioned costs** but did result in non-compliance with UNH-specific policies and procedures. Finally, we identified one area in which UNH should consider strengthening its controls to ensure it does not overcharge indirect costs to NSF awards in the future. See Table 2 for a summary of questioned costs by finding area, **Appendix C** for a summary of questioned costs by NSF award, and **Appendix D** for a summary of all recommendations.

**Table 2: Summary of Questioned Costs by Finding Area**

Finding Description	Questioned Costs
Unallowable Expenses	\$4,604
Inadequately Supported Service Expenses	3,150
Non-Compliance with UNH Policies and Procedures	-
<b>Total</b>	<b><u>\$7,754</u></b>

Source: Auditor summary of findings identified.

<sup>2</sup> The \$1,689,347 represents the total value of the 44 transactions selected for transaction-based testing; it does not represent the dollar base of the total costs reviewed during the audit.

<sup>3</sup> The expense amounts reported represent the total dollar value of the transactions selected for our sample; they do not include the total **fringe benefits** or **indirect costs** applied to the sampled transactions. However, we tested the fringe benefits and indirect costs for allowability.

We made seven recommendations and identified one consideration for NSF’s Director of the Division of Institution and Award Support related to resolving the \$7,754 in questioned costs and ensuring UNH strengthens its administrative and management procedures for monitoring federal funds. We communicated the results of our audit and the related findings and recommendations to UNH and NSF OIG. We included UNH’s response to this report, in its entirety, in [Appendix A](#).

## FINDING 1: UNALLOWABLE EXPENSES

UNH charged two NSF awards a total of \$4,604 in visa costs and [travel](#) expenses that were unallowable under federal regulations<sup>4</sup> and [NSF Proposal and Award Policies and Procedures Guides \(PAPPGs\)](#).<sup>5</sup>

### *Unallowable Long-Term Visa Expense*

UNH charged one NSF award for \$3,567 for a long-term visa, which is not allowable per federal regulations<sup>6</sup> and NSF PAPPG,<sup>7</sup> as illustrated in Table 3.

**Table 3: Unallowable Long-Term Visa Expense**

Expense Date	NSF Award No.	Expense Amount	Unallowable Expenses Associated With:	Notes
October 2019	██████████	\$3,567	Long-Term Visa Expense	<b>a</b>

*Source: Auditor summary of identified exception.*

- a) In October 2019, UNH charged NSF Award No. ██████████ for \$3,567 for a long-term visa expense for a post-doctoral research scientist. Although the employee appears to have worked on the award, the long-term visa expense—which included a premium processing fee—is unallowable.

<sup>4</sup> According to 2 Code of Federal Regulations (CFR) § 200.403 (12/26/2014) and 2 CFR § 200.403 (Revised 11/12/2020), [Factors affecting allowability of costs](#), (a), for a cost to be allowable, it must be allocable and reasonable for the performance of the federal award. Further, section (g) states that, in order for a cost to be allowable, it must be adequately documented. See [Appendix E](#) of this report for additional factors affecting the allowability of costs.

<sup>5</sup> NSF PAPPGs 17-1 and 20-1, Part II, Chapter X, Section A, *Basic Considerations*, state grantees should ensure all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

<sup>6</sup> According to 2 CFR § 200.463 (12/26/2014), *Recruiting costs*, (d), short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost.

<sup>7</sup> NSF PAPPG 17-1, Part II, Chapter XI, Section F.4, *Passports and Visas*, states that NSF assumes no responsibility for securing passports or visas any person requires because of participation in an NSF-supported project.

### ***Unallowable Travel Expenses***

UNH charged one NSF award for \$1,037 in travel expenses that did not benefit the award charged and are therefore unallowable per federal regulations,<sup>8</sup> as illustrated in Table 4.

**Table 4: Unallowable Travel Expenses**

Expense Date	NSF Award No.	Expense Amount	Unallowable Expenses Associated With:	Notes
June 2022	██████████	\$1,037	Lodging and Conference Registration	a

Source: Auditor summary of identified exceptions.

- a) In June 2022, UNH charged NSF Award No. ██████████ for \$1,037 in travel expenses for the Principal Investigator (PI) to attend a conference in ██████████. Although the PI's attendance at the conference benefited the award, the PI inappropriately claimed reimbursement for costs associated with refunded lodging costs after leaving a day early and for a conference registration purchased for an accompanying person whose attendance did not benefit the award.

### **Conclusion**

UNH did not have sufficient policies, procedures, or internal controls in place to ensure it only charged allowable costs to NSF awards. Specifically, UNH's policies, procedures, and internal controls did not always ensure that unallowable long-term visa expenses were not charged to NSF awards and that claimed travel expenses benefited the NSF awards charged. We are therefore questioning \$4,604 of unallowable expenses charged to two NSF awards, which UNH agreed to reimburse, as illustrated in Table 5.

**Table 5: Finding 1 Summary: Unallowable Expenses**

NSF Award No.	Description	Fiscal Year	Questioned Costs			UNH Agreed to Reimburse
			Direct	Indirect	Total	
██████████	October 2019 Long-Term Visa	2020	\$2,370	\$1,197	\$3,567	\$3,567
██████████	June 2022 Lodging and Registration	2022	689	348	1,037	1,037
<b>Total</b>			<b><u>\$3,059</u></b>	<b><u>\$1,545</u></b>	<b><u>\$4,604</u></b>	<b><u>\$4,604</u></b>

Source: Auditor summary of identified exceptions.

<sup>8</sup> According to 2 CFR § 200.475 (Revised 11/12/2020), *Travel costs*, costs are allowable only to the extent that such costs do not exceed charges normally allowed by the non-federal entity in its regular operations as the result of the non-federal entity's written travel policy. Further, the regulations note that, if these costs are charged directly to the federal award, documentation must justify that the individual's participation is necessary to the federal award and that the costs are reasonable and consistent with the non-federal entity's established travel policy.

## Recommendations

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

- 1.1 Direct UNH to provide documentation supporting that it has repaid or otherwise credited the \$4,604 in questioned long-term visa and travel costs for which it has agreed to reimburse NSF.
- 1.2 Direct UNH to create additional resources that provide guidance regarding the allowable charging of visa fees on NSF awards. This guidance should address how to ensure it does not charge unallowable long-term visa fees to NSF awards and only charges NSF awards for short-term visa fees for individuals whose involvement is necessary to complete award objectives.
- 1.3 Direct UNH to update its travel policies and procedures to address the allowability of early departure expenses, as well as the importance of appropriately allocating conference registration expenses.

**University of New Hampshire Response:** UNH agreed to reimburse NSF for the \$4,604 in unallowable long-term visa and travel expenses and stated it has already refunded NSF for these expenses. Additionally, UNH noted that while it believes it has comprehensive controls for thoroughly reviewing and approving expenses associated with NSF awards, it has implemented quarterly PI/administrator meetings, updated its guidance on the allowable charging of visa fees on sponsored projects, and provided additional training on charging travel to sponsored projects.

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

## **FINDING 2: INADEQUATELY SUPPORTED SERVICE EXPENSES**

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UNH charged one NSF award for \$3,150 in service expenses that were not supported by an executed agreement or any other documentation that included adequate support that the amount paid was reasonable and allowable, as required by federal regulations<sup>9</sup> and the NSF PAPPG,<sup>10</sup> as illustrated in Table 6.

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<sup>9</sup> According to 2 CFR § 200.403 (Revised 11/12/2020), *Factors affecting allowability of costs*, (a), for a cost to be allowable, it must be allocable and reasonable for the performance of the federal award. Further, section (g) states that, in order for a cost to be allowable, it must be adequately documented. Additionally, 2 CFR § 200.459 (12/26/2014), *Professional service costs*, states that when determining the allowability of professional service costs, relevant factors include the adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

<sup>10</sup> According to NSF PAPPG 20-1, Part II, Chapter X, Section A, *Basic Considerations*, grantees should ensure that all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E, grant terms and conditions, and the program solicitation. Further, NSF PAPPG 20-1, Part I, Chapter II, Section C.2.g.(vi)(c), *Consultant Services* (also referred to as *Professional Service Costs*), states that proposers must justify anticipated services and furnish information on each individual's expertise, primary organizational affiliation, normal daily compensation rate, and number of days of expected service. If requested, the proposer must be able to justify that the proposed rate of pay is reasonable.

**Table 6: Inadequately Supported Service Expenses**

Expense Date	NSF Award No.	Expense Amount	Inadequate Documentation to Support:	Notes
November 2021	██████████	\$3,150	Service Scope, POP, or Rate	a

Source: Auditor summary of identified exception.

- a) In November 2021, UNH charged NSF Award No. ██████████ for \$3,150 in expenses paid to a service provider to facilitate training at a workshop that were not supported by an executed agreement or other documentation to support the scope of services to be provided, the POP for the services, and/or the service provider’s compensation rate.

**Conclusion**

UNH’s policies, procedures, and internal controls do not require it to execute professional service agreements or obtain other sufficient documentation to support the reasonableness of service expenses prior to paying for services under \$10,000. We are therefore questioning \$3,150 in inadequately supported expenses charged to one NSF award. UNH disagreed with these questioned costs, as illustrated in Table 7.

**Table 7: Finding 2 Summary: Inadequately Supported Service Expenses**

NSF Award No.	Description	Fiscal Year	Questioned Costs			UNH Agreed to Reimburse
			Direct	Indirect	Total	
██████████	November 2021 Service Expenses	2022	\$2,500	\$650	\$3,150	\$0
<b>Total</b>			<b><u>\$2,500</u></b>	<b><u>\$650</u></b>	<b><u>\$3,150</u></b>	<b><u>\$0</u></b>

Source: Auditor summary of identified exception.

**Recommendations**

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

- 2.1. Resolve the \$3,150 in questioned inadequately supported service expenses and direct UNH to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2. Direct UNH to strengthen its policies and procedures for establishing consulting service agreements. The updated policies and procedures should require that UNH establish formal agreements or alternate documents which identify the period of performance, scope of work, and compensation rate(s) when procuring services from external service providers.

**University of New Hampshire Response:** UNH disagreed with the \$3,150 in questioned services expenses stating that, per university policy, expenditures under \$10,000 do not require a formal agreement. Additionally, UNH stated that sufficient documentation was

provided via email that outlined the scope of service, price, and performance required by the service provider.

**Auditors’ Additional Comments:** Although UNH believes the \$3,150 in questioned costs should be allowable as it was not required to establish a formal agreement for these services, we still do not believe UNH provided adequate documentation to support the allowability of this expense per federal and NSF regulations. Specifically, Although UNH was not required to establish a formal agreement per its internal policies, both federal and NSF policies require professional service expenses to be supported by an executed agreement or other documentation adequate to support the amount paid was reasonable or allowable. As the email communication UNH provided to support the amount charged did not identify the scope of the services nor the final amount that was to be paid for the services, our position regarding this finding has not changed.

**FINDING 3: NON-COMPLIANCE WITH UNH POLICIES AND PROCEDURES**

UNH did not always comply with—or did not always document its compliance with—its subrecipient monitoring and compensation policies and procedures when incurring costs charged to three NSF awards.

***Non-Compliance with UNH’s Subrecipient Monitoring Guide***

We identified one instance in which UNH did not comply with its internal subrecipient monitoring policies and procedures, which require approval and payment of subrecipient invoices within 30 days,<sup>11</sup> as illustrated in Table 8.

**Table 8: Non-Compliance with UNH’s Subrecipient Monitoring Guide**

Expense Date	NSF Award No.	Subrecipient Monitoring Guide Compliance Exception	Notes
January 2022	[REDACTED]	Untimely Subrecipient Invoice Approval/Payment	a

Source: Auditor summary of identified exception.

- a) In January 2022, UNH charged NSF Award No. [REDACTED] for \$249,531 in **subaward** expenses invoiced by the University of [REDACTED]. Although the subaward expenses benefited the award, the PI did not approve—nor did UNH pay—the invoices within the 30-day time limit.

<sup>11</sup> UNH’s *Subrecipient Monitoring Guide* states that PIs are responsible for approving all subrecipient invoices, and payments to subrecipients must be made within 30 calendar days after the invoice is received, unless the request is improper, consistent with 2 CFR § 200.305 (b)(3).

**Non-Compliance with UNH's Compensation Policy**

We identified two instances in which UNH did not comply with its internal compensation policies and procedures, which require prior written approval for **additional pay**,<sup>12</sup> as illustrated in Table 9.

**Table 9: Non-Compliance with UNH's Compensation Policy**

Expense Date	NSF Award No.	Compensation Policy Compliance Exception	Notes
August 2021	██████████	Untimely Supplemental Pay Request Form Approval	<b>a</b>
July 2022	██████████	Lack of Relocation Allowance Approval	<b>b</b>

Source: Auditor summary of identified exceptions.

- a) In August 2021, UNH charged NSF Award No. ██████████ for \$13,177 in salary expenses for the PI. Although the summer salary payment benefited the award, the PI's Supplemental Pay Request Form was not approved by the Director of Finance until after the summer period was over.
- b) In July 2022, UNH charged NSF Award No. ██████████ for \$2,500 for a postdoctoral research associate's relocation allowance. Although the allowance appears reasonable and was included in the employee's offer letter, UNH did not maintain documentation to support that the appropriate Dean approved the allowance.

**Conclusion**

UNH did not have adequate procedures or controls in place to ensure that it consistently complied with its subrecipient monitoring and compensation policies and procedures. Because these instances of non-compliance did not directly result in UNH charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions. However, we are noting compliance exceptions for the three instances in which UNH did not comply with its internal policies when charging costs to three NSF awards, as illustrated in Table 10.

**Table 10: Finding 3 Summary: Non-Compliance with UNH Policies and Procedures**

NSF Award No.	Compliance Exception Identified	Fiscal Year
██████████	Untimely Subrecipient Invoice Approval/Payment	2022
██████████	Untimely Supplemental Pay Request Form Approval	2022
██████████	Unsupported Relocation Allowance Approval	2023

Source: Auditor summary of identified exceptions.

<sup>12</sup> UNH's Administrative Board Personnel Policies, Section F, *Compensation* states that all types of salary-based additional pay, including summer pay and employee transition (e.g., relocation) allowance, require written approval by the supervisor and the unit head prior to the work being performed. Further, an employee transition allowance must be authorized in advance, documented in writing to the employee and for UNH files, and directly related to the commencement of employment at UNH. Prior approval is required by the appropriate Dean, another unit head, and Vice President or Vice Provost, or the UNH President.

## Recommendation

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

- 3.1 Direct UNH to strengthen its internal controls to ensure Principal Investigators approve—and UNH pays—subrecipient invoices within the 30-day requirement.
- 3.2 Direct UNH to strengthen its internal controls to ensure: (i) Supplemental Pay Request Forms are appropriately approved prior to allowing individuals to earn additional salary; and (ii) relocation allowances are appropriately approved—and the approval is documented—prior to offer letters being issued.

**University of New Hampshire Response:** UNH agreed with the exceptions related to non-compliance with its internal subrecipient monitoring and compensation policies. Additionally, UNH noted that it has updated its procedure for processing subrecipient invoices to emphasize the 30-day requirement for processing subrecipient invoices. Finally, UNH stated it is working on automating workflow for summer salary and other payment requests to improve efficiency and automate approval controls.

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

### **AREA FOR IMPROVEMENT: INSUFFICIENT CONTROLS RELATED TO THE APPLICATION OF INDIRECT COST RATES**

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UNH does not have a formally documented policy or procedure in place to ensure it consistently charges indirect costs using a rate no greater than the **Negotiated Indirect Cost Rate** Agreement (NICRA) rate(s) in effect as of the NSF award date. Specifically, UNH does not have a formal process for documenting its decision to apply a proposed indirect cost rate when the proposed rate is different than the NICRA rate(s) effective at the time of award.

As a result, UNH did not document that it verified its use of its proposed indirect cost rates would not cause UNH to overcharge NSF for indirect costs, as illustrated in Table 11.

**Table 11: Proposed Indirect Cost Rates Applied**

NSF Award Number	Award Date	Transaction Date	Rate Applied (%)	Appropriate Rate (%) <sup>13,14,15</sup>
	08/09/2019	04/26/2022	50.50	51.50
	12/02/2019	02/28/2022	50.50	51.50
	03/09/2020	08/24/2022	50.50	52.50
	04/23/2021	02/18/2022	50.50	51.50
	07/20/2021	08/26/2021	50.50	51.50
	08/16/2021	12/29/2021	50.50	51.50

Source: Auditor summary of identified exceptions.

## Conclusion

Because these instances of UNH charging indirect costs using proposed rates did not directly result in UNH charging unallowable costs to NSF awards, we are not noting a finding. However, we are noting an **area for improvement**, as UNH’s lack of a formal process and/or procedure for applying proposed indirect cost rates could cause it to charge unallowable costs to NSF awards if UNH’s indirect cost rates were to decrease in the future.

## Consideration

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

- Directing UNH to develop formal policies and/or procedures regarding how to verify—and document verification of—its election to use proposed indirect cost rates. This should address how UNH will ensure the decision to use proposed indirect cost rates will not result in NSF being overcharged for indirect costs when negotiated rates decrease between the date an NSF award is proposed and the date it is awarded.

<sup>13</sup> UNH’s NICRA dated July 17, 2019, did not have predetermined or final rates for an August 2019 or December 2019 award date. As such, UNH’s NICRA dated November 20, 2020, established a predetermined indirect cost rate of 50.50 percent for on-campus research from July 1, 2019, to June 30, 2021. Further, the same NICRA established a predetermined indirect cost rate of 51.50 percent for on-campus research from July 1, 2021, to June 30, 2022.

<sup>14</sup> UNH’s NICRA dated February 21, 2020, did not have predetermined or final rates for a March 2020 award date. As such, UNH’s NICRA dated November 20, 2020, established a predetermined indirect cost rate of 50.50 percent for on-campus research from July 1, 2019, to June 30, 2021. Further, the same NICRA established a predetermined indirect cost rate of 52.50 percent for on-campus research from July 1, 2022, to June 30, 2023.

<sup>15</sup> UNH’s NICRA dated March 26, 2021, established predetermined indirect cost rates of 50.50 percent and 51.50 percent for on-campus research from July 1, 2019, to June 30, 2021, and July 1, 2021, to June 30, 2022, respectively.

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC



Megan Mesko, CPA, CFE  
Partner  
December 22, 2023

## **APPENDIX A: UNH'S RESPONSE**

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Sponsored Programs  
Administration

51 College Road  
Durham, NH 03824

V: 603.862.4865

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TTY: 7.1.1 (Relay NH)

November 14, 2023  
Ashley Collins  
COTTON, A SIKICH COMPANY  
333 John Carlyle Street, Suite 500  
Alexandria, VA 22314

Dear Ms. Collins:

This letter constitutes the University's official response to address the findings and recommendations presented in the audit report conducted by Cotton, a Sikich Company, on behalf of the National Science Foundation Office of the Inspector General. The audit report scrutinized the costs incurred by the University of New Hampshire (UNH) over a three-year period, spanning from October 1, 2019 to September 30, 2022.

UNH extends its gratitude to Cotton and the NSF for the collaborative opportunity to identify areas for improvement in the management of the University's sponsored programs and fiscal operations. The University places great emphasis on adhering to regulatory, agency and award-specific compliance and remains steadfast in upholding its high standards of internal controls. UNH is dedicated to fortifying those areas identified in the audit to ensure responsible stewardship of all extramural grant funding received by the University.

UNH acknowledges and concurs with most of the findings detailed in the audit reports. The subsequent section of this response document provides a response or corrective action plan for each of the identified issues as well as explaining the disagreement with \$3,150 of questioned costs.

Sincerely,

**Susan Zipkin** Digitally signed by Susan Zipkin  
Date: 2023.11.14 13:11:16 -05'00'

Susan Zipkin  
Director, Accounting & Financial Compliance and Post Award

**Louise Griffin** Digitally signed by Louise Griffin  
Date: 2023.11.14 16:46:07 -05'00'

Louise Griffin  
Associate Vice President & Chief Research Administration Officer

**FINDING 1: UNALLOWABLE EXPENSES**

NSF Award No.	Description	Questioned Costs	UNH Response
██████	October 2019 Long-Term Visa	\$3,567	UNH agrees with this finding and has processed a refund to the NSF for the October 2019 Long-Term Visa expense. We have updated our guidance on the allowable charging of visa fees on sponsored projects.
██████	June 2022 Lodging and Registration	\$1,037	UNH agrees with this finding and has processed a refund to the NSF for the June 2022 Lodging and Registration. We have provided additional training regarding travel on sponsored projects.

Overall, UNH maintains confidence in the effectiveness of its comprehensive controls for thoroughly reviewing and approving expenses associated with NSF awards. The goal of which is to ensure that these costs are allowable, allocable, reasonable, and necessary.

UNH has implemented quarterly Principal Investigator/administrator meetings. These meetings are designed to scrutinize sponsored projects budgets, effort allocations and expenditures. The meetings provide both the PIs and the administrators with multiple opportunities to identify issues promptly and address them in a timely manner. This proactive approach ensures a more robust system for the management and oversight of sponsored projects.

We have updated our guidance on the allowable charging of visa fees on sponsored projects and provided additional training regarding travel on sponsored projects.

**FINDING 2: INADEQUATELY SUPPORTED SERVICE EXPENSES**

NSF Award No.	Description	Questioned Costs	UNH Response
██████	November 2021 Service Expenses	\$3,150	UNH disagrees with this finding. Per University policy, expenditures under \$10,000 do not require a formal agreement. UNH adequately demonstrated through emails that sufficient documentation was provided that outlined the scope of service, price and performance required by the service provider.

**FINDING 3: NON-COMPLIANCE WITH UNH POLICIES AND PROCEDURES**

NSF Award No.	Compliance Exception Identified	UNH Response
██████	Untimely Subrecipient Invoice Approval/Payment	UNH agrees with this finding. UNH has updated our procedure for processing subrecipient invoices to emphasize the 30 day requirement for processing subrecipient invoices.
██████	Untimely Supplemental Pay Request Form Approval	UNH agrees with the finding. UNH is working on automating workflow for summer salary and other payment requests to improve efficiency and automate approval controls.
██████	Unsupported Relocation Allowance Approval	UNH agrees with the finding. UNH is working on automating workflow for payment requests to improve efficiency and automate approval controls.

UNH’s internal controls, policies and procedures in conjunction with comprehensive pre- and post-award education and professional development initiatives, serve as the foundational framework for effective oversight of federal funds. These measures align with the expectations outlined by Uniform Guidance, the NSF and other sponsoring agencies. Continuous improvement is part of our culture as indicated by guidance and control enhancements currently underway.

UNH has implemented quarterly Principal Investigator/administrator meetings. These meetings are designed to scrutinize sponsored projects budgets, effort allocations and expenditures. The meetings provide both the PIs and the administrators with multiple opportunities to identify issues promptly and address them in a timely manner. This proactive approach ensures a more robust system for the management and oversight of sponsored projects.

## **APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY**

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## OBJECTIVES

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The NSF OIG Office of Audits engaged Cotton & Company Assurance and Advisory, LLC (herein referred to as “we”) to conduct an audit of the costs the University of New Hampshire (UNH) claimed on NSF awards during the audit period of performance (POP) of October 1, 2019, through September 30, 2022. The objectives of the audit were to evaluate UNH’s award management environment; to determine if costs claimed are allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and applicable federal financial assistance requirements; and to determine whether any extraordinary circumstances existed that would justify further audit work beyond the original sample of 40 to 50 transactions.

## SCOPE

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The audit population included approximately \$40.3 million in expenses UNH claimed on 189 NSF awards during our audit period of October 1, 2019, through September 30, 2022.

## METHODOLOGY

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After obtaining NSF OIG’s approval for our audit plan, we performed each of the approved audit steps. Generally, these steps included:

- Assessing the reliability of the general ledger (GL) data UNH provided by comparing the costs charged to NSF awards per UNH’s accounting records to the reported net expenditures reflected in the Award Cash Management \$ervice (ACM\$) drawdown requests.
  - Our work required us to rely on computer-processed data obtained from UNH and NSF OIG. NSF OIG provided award data that UNH reported through NSF’s ACM\$ during our audit period.
    - We assessed the reliability of the GL data that UNH provided by: (1) comparing the costs charged to NSF awards per UNH’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests UNH submitted to NSF during the audit POP; and (2) reviewing the parameters that UNH used to extract transaction data from its accounting systems. We found UNH’s computer-processed data to be sufficiently reliable for the purposes of the audit. We did not identify any exceptions with the parameters UNH used to extract the accounting data.
    - 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 NSF’s databases or the controls over NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for fiscal year (FY) 2021 found no reportable instances in which NSF’s financial

management systems did not substantially comply with applicable requirements.

- UNH provided detailed transaction-level data to support \$40,280,089 in costs charged to NSF awards during the period, which was less than the \$40,290,313 UNH claimed in ACM\$ for the 189 awards. This data resulted in a total audit universe of \$40,280,089 in expenses claimed on 189 NSF awards.
  - Although UNH provided GL data to support most of the costs claimed, we noted a \$10,224 discrepancy between UNH’s GL and the amount UNH claimed in ACM\$. UNH provided documentation to support that \$9,084 of this discrepancy related to a credit that was processed in UNH’s GL on May 18, 2021; however, the credit was not reflected in ACM\$ because the award was closed. Therefore, UNH returned the funds to NSF by check. Additionally, UNH provided documentation to support that \$1,170 of this discrepancy related to expenses that were incurred and drawn in September 2022, but did not hit UNH’s GL until October 2022—after our audit POP had ended. Because the expenses were posted to UNH’s GL within a reasonable and practicable timeframe after UNH disbursed and drew down the funds, we did not note an exception.
  - Because the remaining -\$30 variance was immaterial and the GL data materially reconciled to NSF’s ACM\$ records, we determined that the GL data was appropriate for the purposes of this engagement.
- Obtaining and reviewing all available accounting and administrative policies and procedures, external audit reports, desk review reports, and other relevant information UNH and NSF OIG provided, as well as any other relevant information that was available online.
- Summarizing our understanding of federal, NSF, and UNH-specific policies and procedures surrounding costs budgeted for or charged to NSF awards and identifying the controls in place to ensure that costs charged to sponsored projects were reasonable, allocable, and allowable.
  - In planning and performing this audit, we considered UNH’s internal controls within the audit’s scope solely to understand the directives or policies and procedures UNH has in place to ensure that charges against NSF awards complied with relevant federal regulations, NSF award terms and conditions, and UNH policies.
- Providing UNH with a list of 44 transactions that we selected based on the results of our data analytics and requesting that UNH provide documentation to support each transaction.

- Reviewing the supporting documentation UNH provided and requesting additional documentation as necessary to ensure we obtained sufficient, appropriate evidence to assess the allowability of each sampled transaction under relevant federal,<sup>16</sup> NSF,<sup>17</sup> and UNH policies.<sup>18</sup>
- Holding virtual interviews and walkthroughs with UNH in April 2023 to discuss payroll (including fringe benefits and effort reporting), travel, participant support costs, procurement, equipment (including an inventory check), other direct costs (e.g., patent, relocation, recruiting, interest, advertising/public relations, entertainment, fundraising, lobbying, selling/marketing, and training costs), subawards, ACM\$ processing, indirect costs, and other general policies (e.g., pre- and post-award costs, program income, whistle-blower information, research misconduct, and conflict of interest policies).
- Summarizing the results of our fieldwork and confirming that we did not identify any extraordinary circumstances that justified the need for a second audit phase.<sup>19</sup>

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided the summary to UNH personnel to ensure that UNH was aware of each of our findings and that it did not have additional documentation to support the questioned costs.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), 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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<sup>16</sup> We assessed UNH's compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (versions effective 12/26/2014 and 11/20/2020).

<sup>17</sup> We assessed UNH's compliance with NSF Proposal and Award Policies and Procedures Guides (PAPPGs) 16-1, 17-1, 18-1, 19-1, 20-1, and 22-1 and with NSF award-specific terms and conditions, as appropriate.

<sup>18</sup> We assessed UNH's compliance with internal UNH policies and procedures surrounding costs budgeted for or charged to NSF awards.

<sup>19</sup> Based on the areas of elevated risk of noncompliance identified during the initial phase, we determined that there was no need for an expanded audit phase.

## **APPENDIX C: SUMMARY OF QUESTIONED COSTS**

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**Appendix C, Table 1: Schedule of Questioned Costs by Finding**

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Unallowable Expenses	\$0	\$4,604	\$4,604
2	Inadequately Supported Service Expenses	-	3,150	3,150
3	Non-Compliance with UNH Policies and Procedures	-	-	-
<b>Total</b>		<u>\$0</u>	<u>\$7,754</u>	<u>\$7,754</u>

Source: Auditor summary of questioned costs by finding.

**Appendix C, Table 2: Summary of Questioned Costs by NSF Award Number**

NSF Award No.	No. of Transaction Exceptions	Questioned Direct Costs	Questioned Indirect Costs	Questioned Total	UNH Agreed to Reimburse
	1	\$2,370	\$1,197	\$3,567	\$3,567
	2	689	348	1,037	1,037
	1	2,500	650	3,150	-
	1	-	-	-	-
	1	-	-	-	-
<b>Total</b>	<b>6</b>	<b>\$5,559</b>	<b>\$2,195</b>	<b>\$7,754</b>	<b>\$4,604</b>

Source: Auditor summary of questioned costs by NSF award number.

**Appendix C, Table 3: Summary of Questioned Costs by NSF Award Number and Expense Description**

Finding No.	NSF Award No.	Description	Fiscal Year(s)	Direct	Indirect	Total	UNH Agreed to Reimburse
1) Unallowable Expenses	██████	October 2019 Long-Term Visa	2020	\$2,370	\$1,197	\$3,567	\$3,567
	██████	June 2022 Lodging and Registration	2022	689	348	1,037	1,037
2) Inadequately Supported Service Expenses	██████	November 2021 Service Expenses	2022	2,500	650	3,150	-
3) Non-Compliance with UNH Policies and Procedures	██████	Untimely Subrecipient Invoice Approval/Payment	2022	-	-	-	-
	██████	Untimely Supplemental Pay Request Form Approval	2022	-	-	-	-
	██████	Unsupported Relocation Allowance Approval	2023	-	-	-	-
<b>Total</b>				<b><u>\$5,559</u></b>	<b><u>\$2,195</u></b>	<b><u>\$7,754</u></b>	<b><u>\$4,604</u></b>

Source: Auditor summary of identified exceptions.

## **APPENDIX D: SUMMARY OF RECOMMENDATIONS AND CONSIDERATIONS**

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

- 1.1 Direct UNH to provide documentation supporting that it has repaid or otherwise credited the \$4,604 in questioned long-term visa and travel costs for which it has agreed to reimburse NSF.
- 1.2 Direct UNH to create additional resources that provide guidance regarding the allowable charging of visa fees on NSF awards. This guidance should address how to ensure it does not charge unallowable long-term visa fees to NSF awards and only charges NSF awards for short-term visa fees for individuals whose involvement is necessary to complete award objectives.
- 1.3 Direct UNH to update its travel policies and procedures to address the allowability of early departure expenses, as well as the importance of appropriately allocating conference registration expenses.
- 2.1. Resolve the \$3,150 in questioned inadequately supported service expenses and direct UNH to repay or otherwise remove the sustained questioned costs from its NSF awards.
- 2.2. Direct UNH to strengthen its policies and procedures for establishing consulting service agreements. The updated policies and procedures should require that UNH establish formal agreements or alternate documents which identify the period of performance, scope of work, and compensation rate(s) when procuring services from external service providers.
- 3.1 Direct UNH to strengthen its internal controls to ensure Principal Investigators approve—and UNH pays—subrecipient invoices within the 30-day requirement.
- 3.2 Direct UNH to strengthen its internal controls to ensure: (i) Supplemental Pay Request Forms are appropriately approved prior to allowing individuals to earn additional salary; and (ii) relocation allowances are appropriately approved—and the approval is documented—prior to offer letters being issued.

Additionally, we suggest that NSF's Director of the Division of Institution and Award Support consider:

- Directing UNH to develop formal policies and/or procedures regarding how to verify—and document verification of—its election to use proposed indirect cost rates. This should address how UNH will ensure the decision to use proposed indirect cost rates will not result in NSF being overcharged for indirect costs when negotiated rates decrease between the date an NSF award is proposed and the date it is awarded.

## **APPENDIX E: GLOSSARY**

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**Additional Pay.** Pay from University System of New Hampshire (USNH)-administered funds to a UNH employee that exceeds the Regular Pay he/she receives for Regular Duties and/or that does not contribute permanently to the employee's Institutional Base Salary or Rate.

[Return to the term's initial use.](#)

**Allocable cost.** A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (a) Is incurred specifically for the federal award.
- (b) Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods.
- (c) Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart. (2 CFR § 200.405).

[Return to the term's initial use.](#)

**Factors affecting allowability of costs.** The tests of allowability of costs under these principles are: costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award (c) Be consistent with policies and procedures (d) Be accorded consistent treatment (e) Be determined in accordance with generally accepted accounting principles (GAAP) (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program (g) Be adequately documented. (2 CFR § 200.403).

[Return to the term's initial use.](#)

**Allowable cost.** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- (a) Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. (2 CFR § 200.403).

[Return to the term's initial use.](#)

**Area for Improvement.** For the purposes of this report, an area for improvement represents a condition that does not constitute the grantee's non-compliance but warrants the attention of the grantee and NSF management.

[Return to the term's initial use.](#)

**Consultant Services (Professional Service costs).** This refers to costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-federal entity, which are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the federal government.

[Return to the term's initial use.](#)

**Fringe Benefits.** Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick, or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an establishment policy of the non-federal entity.

Leave is the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefit.

[Return to the term's initial use.](#)

**Indirect (F&A) Costs.** This refers to those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (2 CFR § 200.56).

[Return to the term's initial use.](#)

**Negotiated Indirect Cost Rate.** Generally charged to federal awards through the development and application of an indirect cost rate. In order to recover indirect costs related to federal awards, most organizations must negotiate an indirect cost rate with the federal agency that provides the preponderance of funding, or Health and Human Services (HHS) in the case of colleges and universities. (NSF Office of Budget, Finance, and Award Management).

[Return to the term's initial use.](#)

**Period of Performance (POP).** The time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award. The federal awarding agency or pass-through entity must include start and end dates of the POP in the federal award. (2 CFR § 200.77).

[Return to the term's initial use.](#)

**NSF's Proposal and Award Policies and Procedures Guide (PAPPG).** Comprises documents relating to NSF's proposal and award process for the assistance programs of NSF. The PAPPG, in conjunction with the applicable standard award conditions incorporated by reference in award, serve as the NSF's implementation of 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. If the PAPPG and the award conditions are silent on a specific area covered by 2 CFR § 200, the requirements specified in 2 CFR § 200 must be followed. (NSF PAPPG 22-1).

[Return to the term's initial use.](#)

**Questioned Cost.** §5(f)(1) a cost that is questioned by the Office because of-(A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not support by adequate document; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

[Return to the term's initial use.](#)

**Reasonable Cost.** A reasonable cost is a cost that, in its nature and amount, does not exceed that which would have been incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. (2 CFR § 200.404).

[Return to the term's initial use.](#)

**Subawards.** An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR § 200.92).

[Return to the term's initial use.](#)

**Travel costs.** Expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-federal entity's non-federally funded activities and in accordance with non-federal entity's written travel reimbursement policies. Notwithstanding the provisions of § 200.444 *General costs of government*, travel costs of officials covered by that section are allowable with the prior written approval of the federal awarding agency or pass-through entity when they are specifically related to the federal award. (2 CFR § 200.474).

[Return to the term's initial use.](#)

**Unsupported Cost.** A cost that is questioned because the auditors found that, at the time of the audit, such cost is not supported by adequate documentation. Unsupported Cost is a subset of and included in Questioned Costs.

[Return to the term's initial use.](#)

# National Defense Authorization Act

## General Notification

Pursuant to Pub. L. No. 117-263 § 5274, business entities and non-governmental organizations specifically identified in this report have 30 days from the date of report publication to review this report and submit a written response to NSF OIG that clarifies or provides additional context for each instance within the report in which the business entity or non-governmental organizations is specifically identified. Responses that conform to the requirements set forth in the statute will be attached to the final, published report.

If you find your business entity or non-governmental organization was specifically identified in this report and wish to submit comments under the above-referenced statute, please send your response within 30 days of the publication date of this report to [OIGPL117-263@nsf.gov](mailto:OIGPL117-263@nsf.gov), no later than March 1, 2024. We request that comments be in .pdf format, be free from any proprietary or otherwise sensitive information, and not exceed two pages. Please note, a response that does not satisfy the purpose set forth by the statute will not be attached to the final report.

## About Us

NSF OIG was established in 1989, in compliance with the *Inspector General Act of 1978* (5 USC 401-24). Our mission is to provide independent oversight of NSF to improve the effectiveness, efficiency, and economy of its programs and operations and to prevent and detect fraud, waste, and abuse.

## Contact Us

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**Follow us on X (formerly Twitter):** [twitter.com/nsfoig](https://twitter.com/nsfoig)

**Congressional, media, and general inquiries:** [OIGPublicAffairs@nsf.gov](mailto:OIGPublicAffairs@nsf.gov)

**Freedom of Information Act inquiries:** [FOIAOIG@nsf.gov](mailto:FOIAOIG@nsf.gov)

## Report Fraud, Waste, or Abuse

Report violations of laws, rules, or regulations; mismanagement; and research misconduct involving NSF operations or programs via our Hotline:

- File online report: [oig.nsf.gov/contact/hotline](http://oig.nsf.gov/contact/hotline)
- Anonymous Hotline: 1-800-428-2189
- Mail: 2415 Eisenhower Avenue, Alexandria, VA 22314 ATTN: OIG HOTLINE

Have a question about reporting fraud, waste, or abuse? Email [OIG@nsf.gov](mailto:OIG@nsf.gov).

## Whistleblower Retaliation Information

All NSF employees, contractors, subcontractors, awardees, and subawardees are protected from retaliation for making a protected disclosure. If you believe you have been subject to retaliation for protected whistleblowing, or for additional information on whistleblower protections, please visit [oig.nsf.gov/whistleblower](http://oig.nsf.gov/whistleblower).