

Performance Audit of Incurred Costs – University of Florida

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

January 15, 2021
OIG 21-1-004





AT A GLANCE

Performance Audit of Incurred Costs – University of Florida
Report No. OIG 21-1-004
January 15, 2021

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company LLP (C&C) to conduct a performance audit of incurred costs at the University of Florida (UF) for the period October 1, 2016, to September 31, 2019. The auditors tested more than \$3.2 million of the approximately \$137.2 million of costs claimed to NSF. The objective of the audit was to evaluate UF's award management environment to determine whether any further audit work was warranted, and to perform additional audit work, as determined appropriate. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix C.

AUDIT RESULTS

The report highlights concerns about UF's compliance with certain Federal and NSF regulations, NSF award terms and conditions, and UF policies. The auditors questioned \$640,723 of costs claimed by UF during the audit period. Specifically, the auditors found \$412,363 of unapproved subaward expenses; \$113,816 of unallowable expenses; \$112,827 of inappropriately allocated expenses; and \$1,717 of expenditures that did not comply with NSF award terms and conditions. The auditors also identified two compliance related findings for which there were no questioned costs; non-compliance with UF directives and incorrect application of proposed indirect cost rates. C&C is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in C&C's audit report.

RECOMMENDATIONS

The auditors included 6 findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure UF strengthens administrative and management controls.

AUDITEE RESPONSE

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

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



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

MEMORANDUM

DATE: January 15, 2021

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements
[REDACTED]

FROM: Mark Bell
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 21-1-004, University of Florida

This memorandum transmits the Cotton & Company LLP (C&C) report for the audit of costs charged by the University of Florida (UF) to its sponsored agreements with the National Science Foundation during the period October 1, 2016, to September 31, 2019. The audit encompassed more than \$3.2 million of the approximately \$137.2 million claimed to NSF during the period. The objective of the audit was to evaluate UF's award management environment to determine whether any further audit work was warranted, and to perform additional audit work, as determined appropriate. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix C.

Please coordinate with our office during the 6-month resolution period, as specified by Office of Management and Budget Circular A-50, to develop a mutually agreeable resolution of the audit findings. The findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of the Audit

C&C is responsible for the attached auditors' report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in C&C's audit report. To fulfill our responsibilities, we:

- reviewed C&C's approach and planning of the audit;

- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with C&C, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by C&C; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Jae Kim at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

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UNIVERSITY OF FLORIDA

**PERFORMANCE AUDIT OF INCURRED COSTS FOR
NATIONAL SCIENCE FOUNDATION AWARDS FOR THE PERIOD
OCTOBER 1, 2016, THROUGH SEPTEMBER 30, 2019**

NATIONAL SCIENCE FOUNDATION

OFFICE OF INSPECTOR GENERAL

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**NATIONAL SCIENCE FOUNDATION
 PERFORMANCE AUDIT OF INCURRED COSTS
 UNIVERSITY OF FLORIDA**

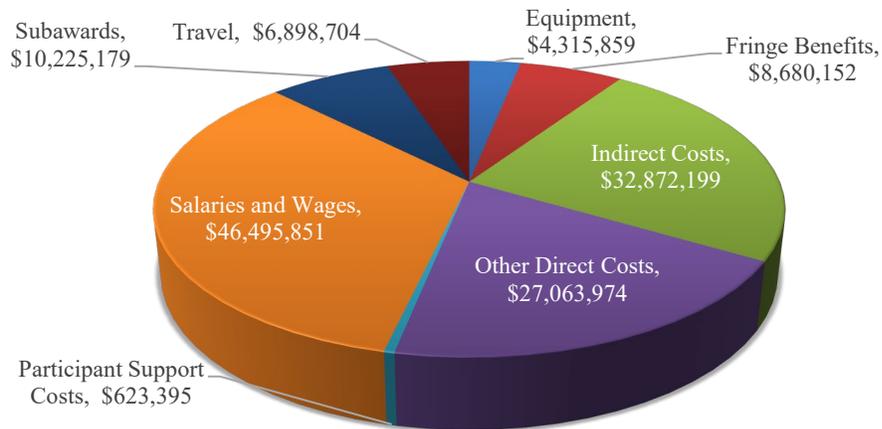
I. BACKGROUND

The National Science Foundation is an independent Federal agency whose mission is to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense. Through grant awards, cooperative agreements, and contracts, NSF enters into relationships with non-Federal organizations to fund research and education initiatives and to assist in supporting its internal financial, administrative, and programmatic operations.

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 a contractor to provide these audit services.

NSF OIG engaged Cotton & Company LLP (referred to as “we”) to conduct a performance audit of costs incurred by the University of Florida (UF). UF is a public research university that reported \$639 million in research grants from Federal sources in fiscal year 2020. As illustrated in Figure 1, UF’s general ledger (GL) supported more than \$137 million in expenses claimed on 683 NSF awards during our audit period of performance (POP) of October 1, 2016, to September 30, 2019. Figure 1 also shows costs claimed by budget category based on the accounting data that UF provided.

Figure 1. Costs Claimed by NSF Budget Category, October 1, 2016, through September 30, 2019¹



Source: Auditor analysis of accounting data provided by UF.

¹ The total award-related expenses reported in UF’s GL exceeded the \$137,160,130 reported in NSF’s Award Cash Management Service (ACM\$); however, because the GL data materially reconciled to NSF’s ACM\$ records, we determined that the GL data was appropriate for the purposes of this engagement.

This performance audit, conducted under Order No. 140D0419F0450, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (Appendix C) and was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), 2018 Revision, issued by the Comptroller General of the United States. We communicated the results of our audit and the related findings and recommendations to UF and NSF OIG. We included UF's response to this report in its entirety in Appendix B.

II. AUDIT RESULTS

We tested 127 transactions, which represented \$3,219,012² in costs that UF charged to NSF awards during the audit period, and performed additional non-transaction-based testing in three areas, as described in the Objectives, Scope, and Methodology section of this report. Based on the results of our testing, we determined that UF needs improved oversight of the allocation and documentation of expenses charged to NSF awards to ensure it is able to support that costs claimed are reasonable, allocable, and allowable in accordance with all Federal and NSF regulations, NSF award terms and conditions, and UF directives/policies.

As a result, we identified and questioned \$640,723 of direct and indirect costs that UF inappropriately claimed during the audit period, including:

- \$412,363 of unapproved subaward expenses.
- \$113,816 of unallowable expenses.
- \$112,827 of inappropriately allocated expenses.
- \$1,717 of expenditures that did not comply with NSF award terms and conditions.

We also identified two compliance-related findings for which we did not question any costs:

- Non-compliance with UF directives.
- Incorrect application of proposed indirect cost rates.

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

Finding 1: NSF Approval Not Obtained Before Transferring Award Research to Other Organizations

UF did not obtain NSF's approval before issuing subawards to three organizations to conduct portions of NSF-funded award research. Although UF's annual reports to NSF indicated that non-UF collaborators were performing work at subawardee institutions, UF did not formally request approval to contract or transfer research to these organizations in the original grant proposal or through subsequent requests submitted to NSF via the NSF FastLane system, as

² The \$3,219,012 in claimed costs represents the total of the 127 transactions selected for transaction-based testing; it does not represent the total costs reviewed during the audit.

required by NSF’s Proposal and Award Policies and Procedures Guides (PAPPGs).³ Specifically:

- UF charged NSF Award No. [REDACTED] for \$339,967 in expenses the University [REDACTED] ([REDACTED] invoiced under a subaward to allow the award’s Principal Investigator (PI) to continue conducting and coordinating grant-related research after transferring to [REDACTED]
- UF charged NSF Award No. [REDACTED] for \$42,911 in expenses [REDACTED] [REDACTED] University ([REDACTED] invoiced under a subaward to allow the award’s co-PI to continue conducting and coordinating grant-related research after transferring to [REDACTED]
- UF charged NSF Award No. [REDACTED] for \$14,988 in expenses [REDACTED] [REDACTED] University ([REDACTED] invoiced under a subaward to allow [REDACTED] to conduct grant-related core sampling and data analysis.

UF did not have appropriate procedures and internal controls in place to ensure that it formally processed subaward requests within NSF’s FastLane system, and it inappropriately relied on other forms of communication with NSF⁴ to support NSF’s approval of unbudgeted subawards. As a result, we are questioning \$412,363 of unallowable direct and indirect costs UF claimed for subawards that were not appropriately approved by NSF. UF disagreed with all questioned costs within this finding, as illustrated in Table 1.

Table 1. NSF Approval Not Obtained Before Transferring Award Research to Other Organizations

Description	NSF Award No.	Questioned Costs			
		Direct	Indirect	Total	UF Agreed to Reimburse
[REDACTED] Subaward	[REDACTED]	\$339,967	\$0 ⁵	\$339,967	\$0
[REDACTED] Subaward	[REDACTED]	42,911	12,500	55,411	0
[REDACTED] Subaward	[REDACTED]	14,988	1,997	16,985	0
	Total	<u>\$397,866</u>	<u>\$14,497</u>	<u>\$412,363</u>	<u>\$0</u>

Source: Auditor summary of identified exceptions.

³ NSF PAPPGs 15-1 and 16-1, Part II, Chapter II, Section B.3. and 17-1 Part II, Chapter VII, Section B.3. state that the intent to enter into a subaward agreement should be disclosed in the proposal submission, and that if it becomes necessary to contract or otherwise transfer a part of the research after a grant has been made, the grantee shall electronically submit, at a minimum, (i) a clear description of the work to be performed and (ii) a separate budget for each subaward, and NSF will indicate its authorization by an amendment to the grant signed by the Grants Officer. Further, NSF PAPPGs 15-1 and 16-1, Part II, Chapter II, Section A.2. and 17-1, Part II, Chapter VII, Section A.2. state that organizations must submit all notifications and requests contained in Award & Administration Guide Exhibit II-1, which includes the contracting or transferring of project effort and/or the sub-awarding, transferring, or contracting out of part of an NSF award, electronically via the NSF FastLane system.

⁴ As support that NSF was aware of the subawards, UF provided a “Change in PI” request UF submitted for NSF Award No. [REDACTED] which indicated that the original PI for the award was moving to [REDACTED] and that UF intended to issue [REDACTED] a subaward and an email which supported that the NSF Award No. [REDACTED] Program Manager approved the issuance of the [REDACTED] subaward.

⁵ Based on the GL data provided, UF does not appear to have applied its approved indirect cost rate to the first \$25,000 of this subaward, as appropriate per its Negotiated Indirect Cost Rate Agreement (NICRA).

Recommendations

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

1. Resolve the \$412,363 in questioned subaward costs and direct UF to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UF to strengthen the administrative and management internal controls and processes over transferring significant parts of NSF funded research to other organizations. Processes could include:
 - a. Establishing procedures that require UF to verify that, for any subaward established to perform research under an NSF grant awarded to UF, it specifically obtained the NSF Grants Officer's approval, either as part of the NSF grant budget or through a formal request to transfer the research or effort through NSF's FastLane system, before issuing a subaward.
 - b. Requiring periodic training for Principal Investigators and other personnel permitted to issue subaward agreements under NSF awards.

University of Florida Response: UF disagreed with this finding, including all questioned costs, as it believes the funding was expensed as proposed for the benefit of the projects coordinated and conducted by named key personnel. Specifically:

- With regard to the \$339,967 in questioned subaward costs that [REDACTED] invoiced under NSF Award No. [REDACTED] UF believes the costs should be allowable because NSF approved a "Change in PI" request form stating that UF intended to issue a subaward to [REDACTED] in order to allow the PI to continue work on the NSF award.
- With regard to the \$55,411 in questioned subaward costs that [REDACTED] invoiced under NSF Award No. [REDACTED] UF believes the costs should be allowable because UF provided an email indicating the NSF Program Director⁶ agreed to allow UF to issue the subaward.
- With regard to the \$16,985 in questioned subaward costs that [REDACTED] invoiced under NSF Award No. [REDACTED] UF believes the costs should be allowable because UF reported its collaboration with [REDACTED] in multiple progress reports submitted to NSF, which UF believes constituted both notice to and effective approval by NSF.

Additionally, UF noted that, because there were no changes in the scope of work or key personnel and as all subaward costs benefited the NSF awards charged, this finding should be considered a compliance issue with no questioned costs.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, although UF provided support that it notified NSF that it was collaborating with

⁶ While UF's formal response noted that the NSF Program Director approved the subaward, we verified that the approval e-mail UF received was from [REDACTED] [REDACTED] the award's Program Manager.

██████████ and ██████████ because UF did not formally request or receive approval for these unbudgeted subawards through an amendment to the grant signed by the NSF Grants Officer, as required for these costs to be allowable per the relevant NSF PAPPGs, our position regarding this finding has not changed.

Finding 2: Unallowable Expenses

UF charged 17 NSF awards a total of \$113,816 in expenses that were unallowable under Federal regulations,⁷ PAPPGs,⁸ and/or UF policies and procedures,⁹ as referenced below. Specifically:

Unallowable Participant Support Costs

UF inappropriately used \$62,978 in funding provided for participant support costs to cover non-participant expenses¹⁰ and fringe benefits inappropriately applied to participant support cost payments,¹¹ as follows:

- Between November 2011 and March 2019, UF used \$41,968 of participant support cost funding awarded under NSF Award No. ██████████ to cover non-participant expenses, including costs incurred for computer services, couriers, data processing, general operations, and building rentals.
- Between February 2012 and February 2017, UF used \$3,711 of participant support cost funding awarded under NSF Award No. ██████████ to cover non-participant expenses, including costs incurred for building maintenance, other services, and fringe benefit expenses inappropriately applied to participant support costs.
 - *UF agreed to reimburse NSF for these expenses.*

⁷ According to 2 Code of Federal Regulations (CFR) 220, Appendix A, Section C.2 and C.3 and 2 CFR §200.403(a), for costs to be allowable, they must be necessary and reasonable for the performance of the Federal award.

⁸ NSF PAPPGs 14-1, 15-1, and 16-1, Part II, Chapter V, Section A and 17-1, 18-1, and 19-1, Part II, Chapter X, Section A, state that grantees should ensure that all costs charged to NSF awards meet the requirements of the applicable Federal cost principles; grant terms and conditions; and any other specific requirements of both the award notice and the applicable program solicitation.

⁹ According to UF's *Cost Accounting Standards, Cost Principles*, a cost must be necessary, reasonable, and allocable for the performance of the project or activity being supported by the Federal award, subject to any special terms and conditions, to be allowable.

¹⁰ NSF PAPPG 14-1, Part II, Chapter V, Section B.8.a.(i) and NSF PAPPGs 15-1, 16-1, 17-1, and 19-1, Part I, Chapter II, Section C.2.g.(v) state that participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees that the grantee paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. Additionally, UF's *Participant Support Costs* policy states that a participant is a non-UF employee who is the recipient, not the provider, of a conference, workshop, seminar, training, or other short-term informational activity. Further, 2 CFR §200.75 (not applicable to NSF Award Nos. ██████████ or ██████████) states that participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

¹¹ UF's NICRA identifies salaries and wages as the only base for the application of fringe benefits.

- Between April 2012 and August 2018, UF used \$2,037 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.
 - *UF agreed to reimburse NSF for these expenses.*
- Between December 2013 and September 2019, UF used \$185 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses, including costs incurred for printing, planning services, and general operations.
 - *UF agreed to reimburse NSF for these expenses.*
- Between April 2015 and September 2019, UF used \$167 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.
 - *UF agreed to reimburse NSF for these expenses.*
- Between May 2015 and August 2019, UF used \$1,324 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.
 - *UF agreed to reimburse NSF for these expenses.*
- In March 2017, UF used \$9,709 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover salary expenses for UF employees.
 - *UF agreed to reimburse NSF for these expenses.*
- In June 2017, UF used \$3,856 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover expenses associated with providing food and beverages to UF employees at a workshop, including \$300 in bartender fees.¹²
 - *UF agreed to reimburse NSF for these expenses.*
- Between October 2017 and December 2018, UF used \$21 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses, including miscellaneous supplies.
 - *UF agreed to reimburse NSF for these expenses.*

¹² 2 CFR § 200.423 and NSF PAPPG 16-1 Chapter II, Section C.2.g.(xii)(c) state that costs of alcoholic beverages are unallowable. Further, the NSF Proposal & Award Policy Newsletter dated May/June 2017 states that awardees should not use the participant support line in the NSF budget for costs such as room rental fees, catering, and supplies.

Unallowable Rebudgeting of Participant Support Costs

UF inappropriately re-budgeted \$31,500 in funding provided for participant support costs without first obtaining the NSF Program Officer's approval to do so, as required by NSF's PAPPG,¹³ as follows:

- Over the course of the award's period of performance, UF charged \$1,737,646 in expenses to an account it had established to track spending of the \$1,775,044 participant support cost budget awarded under NSF Award No. [REDACTED] leaving \$37,398 in participant support cost funding on the award. As UF did not request approval to re-budget these participant support costs and claimed all but \$5,898 of the grant's total budget, UF appears to have inappropriately re-budgeted at least \$31,500 in participant support cost funding without NSF approval.
 - *UF agreed to reimburse NSF for these expenses.*

Unallowable Travel Expenses

UF charged six NSF awards for \$11,272 in unallowable travel expenses, as follows:

- In April 2018, UF charged NSF Award No. [REDACTED] for \$1,893 in airfare expenses that did not comply with the Fly America Act.¹⁴ Specifically, although UF provided a Fly America Act exception form to justify the allowability of this expense, the form did not support that the use of a foreign-flag carrier was appropriate, as a U.S. flag carrier was available to meet the travel requirements of the trip. Further, we noted that UF did not complete this form when it originally purchased the flight; instead, it completed the form in July 2020, in response to this audit.
- In May 2018, UF charged NSF Award No. [REDACTED] for \$679 in travel expenses for a lodging confirmation deposit that the vendor did not credit to the final invoice it sent UF, and that UF therefore did not return to NSF.
 - *UF agreed to reimburse NSF for these expenses.*
- In June 2018, UF charged NSF Award No. [REDACTED] for \$436 in travel expenses for a traveler that did not attend the NSF-sponsored event.

¹³ NSF PAPPG 15-1, Part II, Chapter V, Section A.3.b. states that grantees may not use funds provided for participant support for other categories of expense without specific written prior approval from the cognizant NSF Program Officer.

¹⁴ According to NSF PAPPG 15-1, Part I, Chapter II, Section C.2.g.(iv), persons traveling under NSF grants must travel by U.S. flag air carriers, if available. Further, NSF PAPPG 13-1, Part II, Chapter VI, Section G.1.b.(i) specifically states that, in accordance with the Fly America Act (49 U.S. Code 40118), any air transportation to, from, between, or within a country other than the U.S. of persons or property, the expense of which will be assisted by NSF funding, must be performed by or under a code-sharing arrangement with a U.S. flag air carrier, if such a carrier is available.

- In July 2018, UF charged NSF Award No. [REDACTED] for \$350 in conference registration fees for a traveler that did not attend the NSF-sponsored conference.
 - *UF agreed to reimburse NSF for these expenses.*
- In September 2018, UF charged NSF Award No. [REDACTED] for \$25 in internet access fees incurred for five participants who did not attend the NSF-sponsored conference.
- In July 2019, UF charged NSF Award No. [REDACTED] for \$7,889 in unallowable travel costs, including \$6,584 in business-class airfare,¹⁵ \$1,255 for lodging for an “accompanying person” whose travel did not relate to the scope of this award, and \$50 in lodging costs that exceeded the allowable General Services Administration (GSA) per diem rate.¹⁶
 - *UF agreed to reimburse NSF for these expenses.*

Unallowable Other Direct Costs

UF charged two NSF awards for \$4,604 in other unallowable expenses, as follows:

- In September 2017, UF charged NSF Award No. [REDACTED] for \$1,454 in tuition costs related to unallowable student activity fees.¹⁷
 - *UF agreed to reimburse NSF for these expenses.*
- In January 2019, UF charged NSF Award No. [REDACTED] for \$3,150 for an unapproved, and therefore unallowable,¹⁸ relocation allowance provided to a postdoctoral scholar.
 - *UF agreed to reimburse NSF for these expenses.*

¹⁵ NSF PAPPG 17-1, Chapter XI, Section F.1.a.(ii). states that, except as provided in the governing Office of Management and Budget (OMB) cost principles, the difference between economy airfare and a higher class airfare is unallowable.

¹⁶ While the *Foreign Travel* section of UF’s *Travel* policy states that foreign lodging costs which exceed the maximum allowable lodging per diem found on the U.S. Department of State’s website are allowable with appropriate justification, the traveler claimed six nights of lodging at a rate \$10 above the GSA per diem rate and one night of lodging at a rate \$5 above the GSA per diem rate without providing a justification.

¹⁷ According to 2 CFR § 200.469, costs incurred for student activities are unallowable unless specifically provided for in the Federal award.

¹⁸ UF’s *Additional Payment Policy and Earnings Code Guide* states that relocation allowances are allowable so long as they are approved by university senior leadership, and specifically by the appropriate dean or vice president. Further, 2 CFR §200.464(a) states that relocation costs are only allowable if the reimbursement is in accordance with an established written policy that the employer consistently follows.

Unallowable Publication Expenses

UF charged one NSF award for \$2,904 in expenses it incurred to publish an article that did not acknowledge the NSF award as a sponsor, as required to be allowable per Federal policies,¹⁹ as follows:

- In October 2017, UF charged NSF Award No. [REDACTED] for \$2,904 in fees incurred to publish a research paper that did not acknowledge the award as a sponsor.

Unallowable Indirect Costs

UF charged one NSF award for \$558 in unallowable indirect costs as a result of inappropriately applying its indirect cost rate to participant support costs,²⁰ as follows:

- In July 2017, UF inadvertently charged NSF Award No. [REDACTED] for \$558 in unallowable indirect costs as a result of erroneously charging \$1,200 in participant support costs to the award using a project code that applied indirect costs.
 - *UF agreed to reimburse NSF for these expenses.*

UF did not have sufficient policies/procedures and internal controls in place to ensure that it only charged allowable expenses to NSF awards. Specifically, UF's procedures did not always ensure that it:

- Obtained NSF approval before using participant support cost funding to cover non-participant-related expenses.
- Requested and received NSF approval to re-budget participant support cost funding.
- Maintained documentation to support that airfare charged to Federal awards complied with relevant Federal and NSF policies and procedures.
- Refunded NSF for travel expenses related to travelers who did not attend NSF-sponsored events.
- Only charged NSF for allowable tuition-related expenses.
- Received required sponsored approval before charging relocation costs to NSF awards.
- Appropriately acknowledged NSF awards in publications.
- Appropriately segregated participant support costs into accounts that did not apply UF's indirect cost rate.

UF charged NSF awards for expenses that were unallowable under Federal, NSF, and/or UF policies and procedures. We are therefore questioning \$113,816 of unallowable direct and

¹⁹ Per 2 CFR §200.461(b)(1), charges for professional journal publications are allowable where the publications report that the Federal government supported the work. Further, NSF PAPPG 17-1, Part II, Chapter XI, Section E.4.a. states that the grantee is responsible for ensuring that any publication of any material based on or developed under an NSF-funded project includes acknowledgement of NSF support.

²⁰ NSF PAPPG 14-1, Part I, Chapter II, Section C.2.g. (v) states that indirect costs (F&A) are not allowed on participant support costs. Further, UF NICRAs indicate that modified total direct costs exclude equipment, capital expenditures, charges for patient care, rental costs for off-site facilities, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward that exceeds \$25,000.

indirect expenses charged to 17 NSF awards. UF concurred with \$66,590 of the questioned costs but disagreed with the remaining \$47,226, as illustrated in Table 2.

Table 2. Unallowable Expenses

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			UF Agreed to Reimburse
			Direct	Indirect	Total	
November 2011 – March 2019 Non-Participant Support Costs	██████	2012–2019	\$41,968	\$0	\$41,968	\$0
February 2012 – February 2017 Non-Participant Support Costs	██████	2012–2017	3,711	0	3,711	3,711
April 2012 – August 2018 Non-Participant Support Costs	██████	2012–2019	2,037	0	2,037	2,037
December 2013 – September 2019 Non-Participant Support Costs	██████	2014–2020	185	0	185	185
April 2015 – September 2019 Non-Participant Support Costs	██████	2015–2020	167	0	167	167
May 2015 – August 2019 Non-Participant Support Costs	██████	2015–2020	1,324	0	1,324	1,324
March 2017 Non-Participant Support Costs	██████	2017	9,709	0	9,709	9,709
June 2017 Non-Participant Support Costs	██████	2017	3,856	0	3,856	3,856
October 2017 – December 2018 Non-Participant Support Costs	██████	2018–2019	21	0	21	21
Re-budgeted Participant Support Costs	██████	2013–2019	31,500	0	31,500	31,500
April 2018 Airfare	██████	2018	1,893	0	1,893	0
May 2018 Uncredited Travel Deposit	██████	2018	679	0	679	679
June 2018 No-Show Expenses	██████	2018	436	0	436	0
July 2018 No-Show Expenses	██████	2019	350	0	350	350
September 2018 No-Show Expenses	██████	2019	25	0	25	0
July 2019 Travel Costs	██████	2020	5,173	2,716	7,889	7,889
September 2017 Student Activity Fees	██████	2018	1,454	0	1,454	1,454

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			
			Direct	Indirect	Total	UF Agreed to Reimburse
January 2019 Relocation Allowance	██████	2019	2,500	650	3,150	3,150
October 2017 Publication	██████	2018	1,904	1,000	2,904	0
July 2017 Indirects	██████	2018	0	558	558	558
Total			<u>\$108,892</u>	<u>\$4,924</u>	<u>\$113,816</u>	<u>\$66,590</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$47,226 in questioned participant support, travel, and publication expenses for which UF has not agreed to reimburse NSF and direct UF to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UF to provide documentation that it has repaid or otherwise credited the \$66,590 of questioned participant support, travel, other direct, and indirect costs for which it has agreed to reimburse NSF.
3. Direct UF to establish clear guidance regarding the use of participant support cost funding. This guidance should address:
 - a. What types of expenses can be covered by participant support cost funding.
 - b. When to charge project codes dedicated to accumulating participant support costs.
 - c. When and how to request approval to re-budget participant support cost funding, as well as how to document the approval.
 - d. When it is permissible to use participant support costs to provide meals or refreshments during a conference, including how to segregate and account for unallowable participant support costs, such as costs associated with employee meals, alcohol, and entertainment.
 - e. How to verify that UF has not applied fringe benefit rates and indirect cost rates to participant support cost expenses.
4. Direct UF to strengthen its administrative and management procedures and internal controls surrounding the purchase of airfare and the approval of travel expense reports. Updated procedures could include:
 - a. Conducting annual training for those individuals responsible for reviewing and approving expense reports within each department.

- b. Establishing clear guidance regarding the allowability of airfare, lodging, and other travel expenses for accompanying individuals and individuals who did not attend grant-related conferences and whose travel therefore does not benefit the project(s) charged.
5. Direct UF to strengthen its administrative and management procedures and internal controls surrounding the processing of tuition waivers and relocation expenses to ensure that it only charges NSF for allowable fees and approved relocation allowances.
6. Direct UF to establish clear guidance regarding the allowability of publication expenses on sponsored projects, including the need to acknowledge NSF funding sources.

University of Florida Response: UF disagreed with our conclusions regarding the allowability of \$47,226 in costs questioned on five NSF awards. Specifically:

- With regard to the \$41,968 in questioned participant support costs charged to NSF Award No. [REDACTED] UF believes the costs should be allowable because the building rental costs were related to workshops and meetings identified in the budget justification and the data processing was for hosting remote meetings and workshops. Additionally, UF noted that the language in NSF PAPPG 19-1 restricting what expenses can be classified as participant support costs only became effective after this NSF grant was awarded.
- With regard to the \$1,893 in questioned airfare costs charged to NSF Award No. [REDACTED] UF believes the costs should be allowable because it had sufficiently documented why an exception to the Fly America Act applied. Specifically, UF noted that it provided four alternate itineraries indicating that the travel time would be longer if it were required to use only U.S. flag carriers.
- With regard to the \$436 in questioned meeting attendance costs charged to NSF Award No. [REDACTED] UF believes the costs should be allowable because the traveler was unable to attend the event due to an unforeseen emergency medical procedure.
- With regard to the \$25 in questioned internet access fees charged to NSF Award No. [REDACTED] UF believes the costs should be allowable because the internet access accounts were set up prior to the conference based on the number of registered attendees and as the associated expenses were non-refundable.
- With regard to the \$2,904 in questioned publication costs charged to NSF Award No. [REDACTED] UF believes the costs should be allowable because funding to support the journal publication was budgeted. Specifically, UF noted that the author(s) inadvertently omitted the required acknowledgement of NSF sponsorship and that, while they attempted to correct this oversight, the publisher would not allow an addendum to reference the NSF award charged.

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

- With regard to the \$41,968 in questioned participant support costs charged to NSF Award No. [REDACTED] while UF noted that the costs related to hosting participant meetings, the budget justification did not request funding for equipment rental, building space, or IT services, and it specifically noted that UF intended to hold additional workshops and discussions via videoconferencing at no additional cost. Further, while NSF Award No. [REDACTED] became effective July 1, 2011, before NSF PAPPG 19-1 was published, because the NSF PAPPG effective when this grant was awarded states that participant support costs are items such as stipends, subsistence, travel allowances, and registration fees paid to or on behalf of participants,²¹ equipment rental, building space, and IT services still should not have been considered participant support costs. Accordingly, our position regarding this exception has not changed.
- With regard to the \$1,893 in questioned airfare costs charged to NSF Award No. [REDACTED] while UF noted that it provided alternative itineraries that supported a Fly America Act exemption applied, because UF did not provide Cotton & Company with copies of actual travel itineraries to support that the travel time would have increased by more than six hours if using a U.S. flag air carrier, which is an allowable exemption under the Fly America Act, nor any documentation to support the Fly America Act exemption was appropriate and/or approved at the time the trip was taken, our position regarding this exception has not changed.
- With regard to the \$436 in questioned meeting attendance costs charged to NSF Award No. [REDACTED] while UF noted that the no-show related expenses were out of their control, because the expenses did not benefit the award charged, our position regarding this exception has not changed.
- With regard to the \$25 in questioned internet access fees charged to NSF Award No. [REDACTED] while UF noted that the no-show related expenses were out of their control, because the expenses did not benefit the award charged, our position regarding this exception has not changed.
- With regard to the \$2,904 in questioned publication costs charged to NSF Award No. [REDACTED] while UF noted that the omission of the NSF award was an oversight, because the publication did not report that the Federal government supported the work, as required for the publication costs to be allowable under Federal regulations, our position regarding this exception has not changed.

²¹ See NSF PAPPG 11-1, Part II, Chapter V: Section B.8.

Finding 3: Inappropriately Allocated Expenses

UF did not always allocate expenses to NSF awards based on the relative benefits the awards received, as required by Federal regulations²² and NSF PAPPGs.²³ Specifically, UF inappropriately allocated a total of \$112,827 in expenses to 15 NSF awards, as follows:

Inappropriately Allocated Purchases Near Grant Expiration

UF inappropriately charged five NSF awards a total of \$35,648 in expenses associated with purchases near the awards' expiration dates, when UF had little to no time to use the purchases to benefit the awards,²⁴ as follows:

- In December 2016, UF charged NSF Award No. [REDACTED] for \$4,502 in costs incurred to purchase lab supplies. Because UF purchased the supplies during the final month of the award's 5-year POP, UF does not appear to have allocated the cost of these items to this award based on the relative benefits received.
- In February 2018, UF charged NSF Award No. [REDACTED] for \$8,900 in costs incurred to purchase materials for specimen testing. UF purchased the materials during the last five days of the award's nearly 6-year POP and does not appear to have received the materials before the grant's expiration date. As such, UF does not appear to have allocated the costs of these materials to this award based on the relative benefits received.
 - *UF agreed to reimburse NSF for these expenses.*
- In February 2018, UF charged NSF Award No. [REDACTED] for \$5,555 in costs incurred to purchase materials and supplies used to construct a wall as part of the research under this award. Because UF purchased the materials during the final month of the award's nearly 6-year POP, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.
 - *UF agreed to reimburse NSF for these expenses.*
- In February 2018, UF charged NSF Award No. [REDACTED] for \$3,737 in costs incurred to purchase lab supplies. Because UF purchased the materials during the final month of the award's nearly 6-year POP, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

²² According to 2 CFR Part 220, Appendix A, Section C.4.a and 2 CFR §200.405(a), organizations should allocate costs to a particular cost objective in accordance with the relative benefits received.

²³ NSF PAPPGs 11-1, 14-1, 15-1, and 16-1, Part II, Chapter V, Section A and 17-1 and 18-1, Part II, Chapter X, Section A state that grantees should ensure that all costs charged to NSF awards meet the requirements of the applicable Federal cost principles, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

²⁴ NSF PAPPGs 11-1, Part II, Chapter IV, Section E.5.e; 16-1, Part II, Chapter V, Section A.2.c.; and 17-1 and 18-1, Part II, Chapter X, Section A.2.c. state that grantees should not purchase equipment items or computing devices or restock materials and supplies in anticipation of grant expiration where there is little or no time left to use such items in the actual conduct of the research.

- *UF agreed to reimburse NSF for these expenses.*
- In July 2018, UF charged NSF Award No. [REDACTED] for \$15,761 in costs incurred to purchase a 1-year software subscription. Because only 2.5 months of the software subscription's 12-month licensing period fell within the award's POP, UF does not appear to have allocated 79.2 percent of the subscription cost, or \$12,477, to this award based on the relative benefits received.
- In April 2019, UF charged NSF Award No. [REDACTED] for \$56 in costs incurred to purchase first-aid supplies. Because UF purchased the first-aid supplies during the final 2 months of the award's 4-year POP for the purpose of restocking its supplies, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.
 - *UF agreed to reimburse NSF for these expenses.*
- In May 2019, UF charged NSF Award No. [REDACTED] for \$421 in costs incurred to purchase nitrile gloves. Because UF purchased the nitrile gloves during the final month of the award's 3-year POP for the purpose of restocking the PI's lab, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

Inappropriately Allocated Salary Payout Expenses

UF inappropriately allocated \$33,968 in salary payout expenses²⁵ to one NSF award, as follows:

- In February 2018, UF charged NSF Award No. [REDACTED] for \$33,968 associated with a severance, or non-reappointment, payout provided to an employee whom UF did not plan to reappoint for a future position.²⁶ Because the employee did not allocate 100 percent of their effort to this award prior to their termination, and because the severance payment consisted of 3 months of salary that did not relate to effort performed on this award, UF does not appear to have appropriately allocated the employee's severance payout to this award.

²⁵ According to 2 CFR §200.430(a)(1), charges for salaries and wages must be based on the payroll documented in accordance with the practices of the university. Moreover, according to 2 CFR §200.430(i), salaries and wages charged to Federal awards must be based on records that accurately reflect the work performed.

²⁶ Per UF, it typically notifies employees that they will not be reappointed 3 months before their actual termination date. Although UF noted that it does allow these employees to continue working during this 3-month period, most employees choose not to do so. When the employee chooses to leave UF, UF pays the employee for the 3 months of salary they would have earned prior to their termination date as a severance, or, non-reappointment, payout and charges the expense to the last funding source to which the terminated employee allocated effort.

Inappropriately Allocated Publication Costs

UF did not allocate publication costs based on the relative benefits received by all projects that sponsored published research.²⁷ Specifically, on nine occasions, UF charged 100 percent of a publication’s cost to a single award despite the publication acknowledging multiple funding sources, as illustrated in Table 3.a.:

Table 3.a. Inappropriately Allocated Publication Costs

Publication Title	Publication Date	Amount	NSF Award Charged	Sources Referenced/ Acknowledged
[REDACTED]		\$330		NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]		1,320		NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]	[REDACTED]/2016	990	[REDACTED]	NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]	[REDACTED]/2017	7,800	[REDACTED]	NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]	[REDACTED]/2017	4,085	[REDACTED]	NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
				[REDACTED]
				[REDACTED]
[REDACTED]	[REDACTED]/2018	6,310	[REDACTED]	NSF Award No. [REDACTED]
				NSF Award No. [REDACTED]
				[REDACTED]

²⁷ According to 2 CFR 220, Appendix A, Section J.39 and 2 CFR §200.461(b)(1), charges for professional journal publications are allowable where the publications report that the Federal government supported the work.

Publication Title	Publication Date	Amount	NSF Award Charged	Sources Referenced/ Acknowledged
				NSF Award No. [REDACTED]
[REDACTED]	[REDACTED]/2018	3,983	[REDACTED]	[REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]	3/6/2019	3,418	[REDACTED]	[REDACTED]
				NSF Award No. [REDACTED]
[REDACTED]	6/20/2019	3,623	[REDACTED]	[REDACTED]
Total		<u>\$31,859</u>		

Source: Auditor summary of identified exceptions.

Although a percentage of the publication costs do appear to be allocable to the awards charged, because UF did not identify a reasonable allocation methodology for any of these expenses,²⁸ we are questioning the full \$31,859 in publication costs identified in the table above.

Inappropriately Allocated Travel Expenses

UF inappropriately allocated \$7,793 in travel expenses to an NSF award, as follows:

²⁸ UF indicated that it was not appropriate to allocate the publication costs evenly between the acknowledged awards but did not provide an alternative methodology for identifying allocable costs.

- In July 2019, UF charged NSF Award No. [REDACTED] for \$7,793, or 50 percent of the travel costs incurred for a non-grant participant to attend a conference. This individual traveled with the PI of NSF Award No. [REDACTED]. However, because this individual did not allocate any effort to this NSF award, and because UF did not identify this individual as an award participant, UF should not have allocated any of this individual’s travel expenses to this award.
 - *UF agreed to reimburse NSF for these expenses.*

Inappropriately Allocated Tuition Remission

UF inappropriately allocated \$3,559 in tuition remission expenses to an NSF award, as follows:

- In August 2018, UF charged NSF Award No. [REDACTED] for \$14,329 in tuition remission for a graduate student enrolled at UF. Although UF included funding to support a graduate student’s tuition in the budget justification and identified the graduate student in the annual report submitted to NSF, UF inappropriately charged NSF for \$3,559 in tuition fees related to extra credit hours that were not allocable to the NSF award charged.
 - *UF agreed to reimburse NSF for these expenses.*

UF did not have proper internal controls in place to ensure that it consistently allocated costs to sponsored awards based on the relative benefits that the awards received. We are therefore questioning \$112,827 of inappropriately allocated direct and indirect expenses charged to 15 NSF awards. UF concurred with \$29,600 of the questioned costs but disagreed with the remaining \$83,227, as illustrated in Table 3.b.

Table 3.b. Inappropriately Allocated Expenses

Description	NSF Award No.	Fiscal Year	Questioned Costs			UF Agreed to Reimburse
			Direct	Indirect	Total	
December 2016 Lab Supplies	[REDACTED]	2017	\$3,073	\$1,429	\$4,502	\$0
February 2018 Specimen Materials	[REDACTED]	2018	6,075	2,825	8,900	8,900
February 2018 Construction Materials	[REDACTED]	2018	3,792	1,763	5,555	5,555
February 2018 Lab Supplies	[REDACTED]	2018	2,551	1,186	3,737	3,737
July 2018 Software Subscription	[REDACTED]	2019	8,182	4,295	12,477	0
April 2019 First Aid Supplies	[REDACTED]	2019	37	19	56	56
May 2019 Nitrile Gloves	[REDACTED]	2019	281	140	421	0
February 2018 Severance Pay	[REDACTED]	2018	22,274	11,694	33,968	0
September 2016 Publication	[REDACTED]	2017	1,760	880	2,640	0
August 2017 Publication	[REDACTED]	2018	5,200	2,600	7,800	0
November 2017 Publication	[REDACTED]	2018	2,679	1,406	4,085	0
January 2018 Publication	[REDACTED]	2018	4,307	2,003	6,310	0
August 2018 Publication	[REDACTED]	2019	2,655	1,328	3,983	0
March 2019 Publication	[REDACTED]	2019	2,241	1,177	3,418	0

Description	NSF Award No.	Fiscal Year	Questioned Costs			UF Agreed to Reimburse
			Direct	Indirect	Total	
June 2019 Publication		2019	2,415	1,208	3,623	0
July 2019 Travel Costs		2020	5,110	2,683	7,793	7,793
August 2018 Tuition Fees		2019	3,559	0	3,559	3,559
Total			<u>\$76,191</u>	<u>\$36,636</u>	<u>\$112,827</u>	<u>\$29,600</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$83,227 in questioned supplies, software, severance and publication costs for which UF has not agreed to reimburse NSF and direct UF to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct UF to provide documentation that it has repaid or otherwise credited the \$29,600 in questioned lab supplies, materials, travel costs, and tuition fees for which it has agreed to reimburse NSF.
3. Direct UF to strengthen its administrative and management procedures, internal controls, and processes for allocating salary, publication, material and supply, travel, and tuition expenses to sponsored projects. Processes could include:
 - a. Requiring Principal Investigators or other designated staff to both document and justify the allocation methodologies they use to charge expenses to sponsored projects.
 - b. Establishing clear guidance regarding the treatment of severance pay, including how to reasonably allocate expenses of this nature to sponsored projects.
 - c. Establishing clear guidance and training regarding the allowability of publication costs. Specifically, the guidance and training should emphasize the requirement that personnel (i) identify the relevant funding source(s) in the publication and (ii) appropriately allocate publication expenses to the relevant funding source(s) based on a reasonable, documented methodology before charging the expense to the sponsored funding source(s).
 - d. Implementing additional procedures requiring central offices to review and approve all non-salary expenses charged to NSF awards within 90 days of the award’s expiration date.
 - e. Establishing a procedure that requires personnel to re-examine all student tuition and travel expenses posted during an effort-reporting period after the students have submitted their effort certifications to ensure that UF has appropriately

allocated the students' tuition and travel expenses to awards in a manner that is consistent with their actual effort.

University of Florida Response: UF disagreed with our conclusions regarding the allocability of \$83,459 in costs questioned on 12 NSF awards. Specifically:

- With regard to the \$4,502 in questioned lab supply costs charged to NSF Award No. [REDACTED] UF believes that 100 percent of the costs are allocable to the award charged as the supplies were sent to [REDACTED] University to replenish inventory utilized by a collaborator performing NSF grant related research.
- With regard to the \$12,477 in questioned software subscription costs charged to NSF Award No. [REDACTED] UF believes that 100 percent of the software costs are allocable to the award charged because the minimum subscription period was one year and the software was necessary to carry out the objectives of the award.
- With regard to the \$421 in questioned nitrile glove costs charged to NSF Award No. [REDACTED] UF believes that 100 percent of the costs should be allocable to the award charged because the gloves were purchased to replenish inventory it had used to get the NSF project started.
- With regard to the \$33,968 in questioned severance costs charged to NSF Award No. [REDACTED] UF believes that 100 percent of the costs should be allocable to the award charged because the costs were charged in accordance with its salary policies which note that non-reappointment pay should be charged based on the employee's assignment at the time of separation.
- With regard to the \$232 in questioned postdoctoral leave pay costs charged to NSF Award No. [REDACTED] UF believes that 100 percent of the costs should be allocable to the award charged because it charged the NSF award in accordance with its salary policies which state that leave is charged to the sources where salary is distributed at the time the leave is taken.
- With regard to the \$31,859 in questioned publication costs charged to the seven NSF awards identified in the sub-finding, UF believes that the questioned costs should be allowable as, due to the varying nature of each source's contribution and status at the time of publication, it is unreasonable to require UF to allocate costs to all acknowledged sources.

Additionally, while UF noted that it believes that it has appropriate internal controls in place, it did acknowledge that the nature of manual controls increases the risk of human error and that its process for reviewing and refining systems, processes, and training is ongoing.

Auditors' Additional Comments: We removed \$232 in questioned costs on NSF Award No. [REDACTED] as detailed below; however, our position regarding the rest of this finding has not changed. Specifically:

- With regard to the \$4,502 in questioned lab supplies costs charged to NSF Award No. [REDACTED] while prior stocks of similar supplies may have been used to benefit the award, because the purchased supplies were not used to benefit this award, our position regarding this exception has not changed.
- With regard to the \$12,477 in questioned software subscription costs charged to NSF Award No. [REDACTED] as the majority of the software subscription (79.2%) was for access that occurred after this NSF award expired, our position regarding this exception has not changed.
- With regard to the \$421 in questioned nitrile glove costs charged to NSF Award No. [REDACTED] while prior stocks of similar supplies may have been used to benefit the award, because the purchased supplies were not used to benefit this award, our position regarding this exception has not changed.
- With regard to the \$33,968 in questioned severance pay charged to NSF Award No. [REDACTED] while the non-reappointment pay was charged to the award consistent with UF's non-reappointment pay policy, because the employee only allocated 26 percent of their time during the most recent certification period to this NSF award, it is not reasonable that UF allocated the full amount of the payout to this NSF award.
- With regard to the \$232 in postdoctoral leave pay previously questioned for NSF Award No. [REDACTED] because UF's formal response supported that the sampled leave pay was appropriately charged directly to the NSF award in question, we removed the previously identified exception.
- With regard to the \$31,859 in questioned publication costs, while it may not be reasonable to allocate publication costs among all acknowledged sources, because UF did not maintain documentation and/or justifications to support that allocating 100 percent of these costs to a single NSF award was appropriate, our position regarding these exceptions has not changed.

Finding 4: Non-Compliance with NSF Award Terms and Conditions

UF charged one NSF award for \$1,717 in expenses that did not comply with NSF award terms and conditions. Specifically:

- In June 2017, UF charged NSF Award No. [REDACTED] for a \$3,020 Graduate Research Fellowship Program (GRFP) stipend payment. Although the graduate student was an active fellow at the time they received the stipend payment, when UF entered the

payment into its system, it inadvertently used a retroactive pay date that caused it to pay the student \$3,020, rather than the \$1,303²⁹ that the student should have received.

- *UF agreed to reimburse NSF for this expense.*

UF did not have sufficient grant oversight measures in place to ensure that it consistently charged NSF awards in compliance with the established terms and conditions. As a result, UF charged an NSF award for expenses that did not comply with the award’s terms and conditions. We are therefore questioning \$1,717 of non-compliant direct expenses. UF concurred with all \$1,717 of the questioned costs, as illustrated in Table 4.

Table 4. Non-Compliance with NSF Award Terms and Conditions

Description	NSF Award No.	Fiscal Year	Questioned Costs			
			Direct	Indirect	Total	UF Agreed to Reimburse
June 2017 GRFP Stipend	██████████	2017	\$1,717	\$0	\$1,717	\$1,717
Total			\$1,717	\$0	\$1,717	\$1,717

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct UF to provide documentation that it has repaid or otherwise credited the \$1,717 of questioned graduate student stipend costs for which it has agreed to reimburse NSF.
2. Direct UF to update its current procedures and internal controls for reviewing stipend costs charged to Graduate Research Fellowship Program awards. Updated procedures should require UF to periodically review all stipend payments to ensure that UF appropriately calculated the stipend amounts paid.

University of Florida Response: UF agreed with this finding, noting that this was a single instance of human error, not indicative of the control environment and that the UF Graduate School has strengthened its procedures for processing and reconciling GRFP stipends.

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

²⁹ According to NSF Grant Letter for Award ██████████ Amendment No. 008, the amount of this award is based on a maximum annual stipend of \$34,000 (taxable) per fellow and a cost-of-education institutional allowance of \$12,000 per fellow. UF planned to allocate the \$34,000 stipend amount over its 26.10 annual pay periods as follows: \$34,000 / 26.10 pay periods = \$1,303 stipend per pay period.

Finding 5: Non-Compliance with UF Directives

UF did not always comply with, or did not always document compliance with, its internal procurement and travel directives and procedures when incurring costs charged to NSF awards. Because these instances of non-compliance did not directly result in UF charging unallowable costs to NSF awards, we are not questioning any costs for these exceptions.

Non-Compliance with UF Procurement Directives and Procedures

We identified three instances in which UF did not comply with its internal procurement directives and procedures, which require purchases of goods or services that exceed \$1,000 to be approved by procurement services and supported by a voucher,³⁰ purchases that exceed \$10,000 to be sole-sourced or competitively bid,³¹ and purchases that exceed \$100,000 to be approved by UF's General Counsel (GC),³² as follows:

- In March 2017, UF charged NSF Award No. [REDACTED] for \$32,935 in costs incurred for consulting services. Although the consulting services were allowable and allocable to the award, the consulting agreement was not approved by Procurement Services, supported by a voucher, or awarded through a sole-source justification or a competitive bidding process.
- In August 2018, UF charged NSF Award No. [REDACTED] for \$162,640 in costs incurred to purchase a multi-collector. Although purchasing the multi-collector was the primary purpose of the NSF award and the purchase appears to have been allocable to the award charged, UF did not provide support that UF's GC approved this purchase.
 - *In response to this exception, UF provided an alternate version of its Procurement Directives and Procedures policy document that does not include a requirement for UF to obtain GC approval. However, because this version of the directive does not indicate the period(s) to which it applies, we were unable to determine which of the directives provided was in effect at the time of the purchase.*
- In September 2018, UF charged NSF Award No. [REDACTED] for \$999,804 in costs incurred to purchase a high-resolution photon emission and electro-optical microscope. Although the equipment purchased appears to be reasonable, allowable, and allocable to the award charged, UF did not provide support that GC approved this purchase.
 - *In response to this exception, UF provided an alternate version of its Procurement Directives and Procedures policy document that does not include a*

³⁰ UF's *Procurement Directives and Procedures* states that for purchases of at least \$1,000, any agreement containing terms and conditions or other such verbiage must be forwarded to Procurement Services, which will review and sign the verbiage. Further, it states that UF must document the requisition before the Procurement Agent processes the purchase order.

³¹ UF's *Procurement Directives and Procedures* states that purchases between \$10,000 and \$74,999 require either written quotes from three or more vendors or written justification as to why the purchaser did not obtain the quotes.

³² UF's *Procurement Directives and Procedures* states that GC must review purchases of \$150,000 and above.

requirement for UF to obtain GC approval. However, because this version of the directive does not indicate the period(s) to which it applies, we were unable to determine which of the directives provided was in effect at the time of the purchase.

Non-Compliance with UF Accounting Directives

We identified two instances in which UF did not comply with its internal accounting directives, which require UF to complete a Cost Accounting Standards (CAS) exemption form when charging costs that are typically considered indirect, such as computing devices, directly to sponsored programs,³³ as follows:

- In November 2017, UF charged NSF Award No. [REDACTED] for \$16,048 in costs incurred to purchase four Apple iPads. Although the iPads appear to have been allocable to the award charged, UF did not provide documentation to support that it had completed a CAS exemption form.
- In January 2018, UF charged NSF Award No. [REDACTED] for \$9,314 in costs incurred to purchase a computer and related accessories. Although the computer and computer accessories appear to have been allocable to the award charged, UF did not provide documentation to support that it had completed a CAS exemption form.

Non-Compliance with UF Travel Directives

We identified seven instances in which UF did not comply with its internal travel directives, as follows:

- In December 2016, UF charged NSF Award No. [REDACTED] for \$15,855 in travel costs incurred to enable a postdoctoral scholar and other researchers to perform grant-related fieldwork in [REDACTED] [REDACTED]. Although the travel expenses appear to have benefited the award charged, when UF processed the per diem reimbursements for this travel, it used both the per diem and actual methods of reimbursement and calculated the per diem reimbursement using the per diem rate for “Other” locations in [REDACTED] rather than the rate for [REDACTED], [REDACTED] as would have been allowable per UF directive.³⁴
 - *Because the rate that UF used was lower than the appropriate rate, we are not questioning any costs associated with these travel expenses.*

³³ UF’s *Charging Cost Directly or Indirectly to Sponsored Projects* directive states that when making a direct charge for items that are normally indirect, such as computer devices that are less than \$5,000 and computer peripherals that are less than \$5,000, a CAS exemption is required.

³⁴ UF’s *Expenses for Foreign Travel* directive states that UF may reimburse authorized travelers for foreign travel based on the current rates as specified by the U.S. State Department. If claiming per diem during foreign travel, rather than claiming actual lodging expenses incurred (up to the maximum amount) and meal allowances, the total per diem rate will be \$80 per day. Further, according to 2 CFR §200.474(a), travel costs may be reimbursed on either an actual basis or a per diem basis, provided that the traveler consistently applies this basis to the entire trip and not to selected days of the trip.

- In December 2016, UF charged NSF Award No. [REDACTED] for \$15,855 in travel costs incurred to enable a postdoctoral scholar and other researchers to perform grant-related fieldwork in [REDACTED], [REDACTED]. Although the travel expenses appear to have benefited the award charged, UF issued a travel advance to the postdoctoral scholar but did not ensure that the traveler settled the advance within 10 days of their return, as required by UF directive.³⁵
 - *Because the late settlement of the travel advance did not result in any additional expenses, we are not questioning any costs associated with these travel expenses.*
- In September 2017, UF charged NSF Award No. [REDACTED] for \$12,820 in travel costs incurred to enable the PI, co-PI, and a graduate student to collaborate with other researchers, as requested in the award budget justification. Although the travel appears to have benefited the award charged, UF reimbursed the travelers based on an inconsistent combination of U.S. State Department per diem rates, UF per diem rates, and rates that UF claims were specifically agreed upon for NSF Award No. [REDACTED].
 - *Because UF did not overcharge the award for the per diem costs, we are not questioning any costs associated with this exception.*
- In July 2018, UF charged NSF Award No. [REDACTED] for \$10,740 in registration fees to enable students to attend the 2018 [REDACTED] conference. Although the students' attendance at this conference appears to have benefited the award charged, UF did not provide documentation to support that personnel completed travel authorizations for the students who participated in this travel, as required by UF directive.³⁷
- In September 2018, UF charged NSF Award No. [REDACTED] for \$10,198 in travel costs incurred to enable the PI to conduct field research in [REDACTED]. Although the travel appears to have benefited the award charged, the PI booked one night's lodging at a rate of \$207 per night, which exceeded the U.S. State Department's maximum lodging rate for [REDACTED] of \$177 per night. UF did not obtain the appropriate justification and prior approval for the increased lodging rate, as required by UF directive.³⁸
 - *Because UF was able to provide a reasonable justification for the higher lodging rate in response to this audit, we are not questioning any costs associated with this exception.*

³⁵ UF's *Travel – Finance and Accounting* directive, Section 10.B.2. states that personnel must settle travel advances not later than 10 workdays from the travel ending date.

³⁶ UF's *Travel – Finance and Accounting* directive, Section 9.A.2 states that UF must use the state agency rates to reimburse travel-related meal expenses. The State of Florida's reimbursement rates for meals on UF domestic travel are as follows: *Breakfast (\$6), Lunch (\$11), Dinner (\$19), Total (\$36)*.

³⁷ UF's *Travel – Finance and Accounting* directive, Section 7.A states that travel on university business, including sponsored project travel, must be authorized in advance.

³⁸ UF's *Expenses for Foreign Travel* directive states that UF can only make exceptions to the maximum allowable lodging and per diem rates if it obtains appropriate justification and approval before the travel occurs.

- In August 2019, UF charged NSF Award No. [REDACTED] for \$22,262 in travel costs incurred to enable the PI to perform fieldwork and attend grant-related workshops. Although the travel appears to have benefited the award charged, UF issued a travel advance to the PI but did not ensure that the PI settled the advance within 10 days of their return, as required by UF directive.
- In September 2019, UF charged NSF Award No. [REDACTED] for \$5,224 in travel costs incurred to enable the entrepreneurial lead to attend trade shows, a conference, and events to conduct follow-up interviews. Although these trips appear to have been allocable to the award charged, the traveler did not submit three of the five expense reports provided to support these trips within 60 days of their return, as required by UF directive.³⁹

UF did not have adequate procedures and internal controls in place to ensure that it consistently complied with, and documented its compliance with, its internal travel and procurement directives and procedures. As a result, we identified 10 instances in which UF did not comply with its internal directives when charging costs to NSF awards, as illustrated in Table 5.

Table 5: Non-Compliance with UF Directives

NSF Award No.	Compliance Exception Identified
[REDACTED]	March 2017 Procurement Standards Not Followed
[REDACTED]	August 2018 GC Approval Not Obtained
[REDACTED]	September 2018 GC Approval Not Obtained
[REDACTED]	November 2017 CAS Exemption Form Not Completed
[REDACTED]	January 2018 CAS Exemption Form Not Completed
[REDACTED]	December 2016 Incorrect Per Diem Locale Used
[REDACTED]	December 2016 Late Settlement of Travel Advance
[REDACTED]	September 2017 Inconsistent Per Diem Methods
[REDACTED]	July 2018 Travel Authorizations Not Completed
[REDACTED]	September 2018 Unauthorized Increased Lodging Rate
[REDACTED]	August 2019 Late Settlement of Travel Advance
[REDACTED]	September 2019 Expense Reports Not Submitted by Due Date

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct UF to strengthen its directives/procedures and internal controls for procuring goods and services related to sponsored projects. Processes could include:
 - a. Conducting annual training for those individuals who are responsible for approving service expenses that require a sole-source justification form, a

³⁹ UF’s *Travel – Finance and Accounting* directive, Section 18.A.1. states that employees must adequately account for the expenses within a reasonable time, defined by IRS Publication 463 as no later than 60 days after the expenses were paid or after the date of return from travel.

requisition form, and appropriate approvals before the vendor or consultant begins providing the services.

- b. Implementing a control to flag purchases of goods and services that exceed the thresholds identified in UF's current procurement policies.
2. Direct UF to strengthen its directives/procedures and internal controls surrounding the completion of Cost Accounting Standards exemptions. Specifically, the updated procedures should prevent UF from charging general-purpose computing devices directly to sponsored projects without a documented, approved exemption.
3. Direct UF to strengthen its directives/procedures and internal controls for incurring travel costs related to sponsored projects. Processes could include conducting annual training for those individuals who charge travel expenses to federally sponsored projects. The training should specifically address how to ensure that the individuals obtained the appropriate advance approvals for student travel, that they are receiving the appropriate per diem rate, and that they settle and complete travel advances and expense reports in a timely manner.

University of Florida Response: UF did not specify whether it agreed or disagreed with the lack of travel authorizations and non-compliant per diem reimbursement exceptions, but noted that it disagreed with the remaining reported instances of non-compliance included within this finding. Specifically:

- With regard to the reported non-compliance with its procurement directives and procedures for NSF Award No. [REDACTED] UF stated that because the transaction selected was only posted during the audit period for the purpose of correcting an account code, this exception is not indicative of the control environment during the audit period.
- With regard to the reported non-compliance with its procurement directives for GC approval, UF stated that the requirement for GC approval was not in effect during the audit period and provided a letter from UF's Procurement Director attesting that the policy online had not been appropriately updated.
- With regard to the reported non-compliance with its accounting directives for CAS exemption forms, UF stated that, although it was unable to locate the copies of the exemption forms, because the costs met the criteria for CAS exemptions, the costs were allowable on the NSF awards.
- With regard to the reported non-compliance with its travel directives for the timely settlement of travel advances and expense report submission, UF stated that it followed the escalation procedures outlined in the policy and that each instance was closed within 30 days.

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

- With regard to the reported non-compliance with its procurement directives and procedures for NSF Award No. [REDACTED] while these costs may have been incurred prior to our audit period, because UF did not provide documentation to support that the expenses were appropriately procured, approved, and supported in accordance with UF directive(s) effective when the cost was originally incurred, our position regarding this exception has not changed.
- With regard to the reported non-compliance with its procurement directives and procedures for GC approval, because the version of the policy that we used in our testing was the version that UF posted to its website in 2018 and as UF was unable to provide support demonstrating when the new policy became effective, our position regarding these exceptions has not changed.
- With regard to the reported non-compliance with its accounting directives for CAS exemption forms, because UF was unable to locate the copies of the CAS exemption forms to support it appropriately documented the exemptions, our position regarding these exceptions has not changed.
- With regard to the reported non-compliance with its travel directives for the timely settlement of travel advances and expense reports, while the UF policy does include escalation procedures for instances where expense reports are not submitted on a timely basis, because UF's policy states that travelers "must settle travel advances not later than 10 workdays from the travel ending date", our position regarding these exceptions has not changed.

Finding 6: Incorrect Application of Proposed Indirect Cost Rates

UF applied incorrect indirect cost rates to direct expenses accumulated on 10 NSF awards. For each of these awards, UF applied the Negotiated Indirect Cost Rate Agreement (NICRA) rate that was in effect at the time it submitted the award proposal, rather than the rates included in the NICRA that was in effect as of the date of award, as required by Federal⁴⁰ and NSF guidance.⁴¹

When UF received an NSF grant, it established accounts that were set up to apply indirect costs at the rate(s) included within the approved proposal, so long as the rate was equal to or less than the current rate at the time of the award, to avoid negatively impacting the direct costs for the project. As a result, UF applied inappropriate indirect cost rates to direct expenses accumulated on 10 NSF awards, as illustrated in Table 6.

⁴⁰ According to 2 CFR 220, Appendix A, Section G.7.a and 2 CFR 200, Appendix III, Section C.7, Federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the Federal award.

⁴¹ NSF also requires Institutions of Higher Education to use the negotiated indirect cost rate in effect as of the date of award throughout the life of the award. See NSF PAPPGs 11-1, 14-1, 16-1, 17-1, 18-1, and 19-1, Part I, Chapter II, Section C.2.g.(viii).

Table 6. Incorrect Application of Proposed Indirect Cost Rates

NSF Award No.	Award Date	Rate Applied	Appropriate Rate
	9/7/2011	46.50%	50.00%
	8/24/2011	46.50%	50.00%
	9/30/2011	46.50%	50.00%
	1/13/2012	46.50%	50.00%
	9/11/2015	52.00%	52.50%
	3/9/2016	50.00%	52.50%
	6/8/2016	50.00%	52.50%
	2/17/2016	50.00%	52.50%
	7/5/2016	50.00%	52.50%
	7/25/2016	50.00%	52.50%

Source: Auditor summary of identified exceptions.

Recommendation

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

1. Direct UF to update its current award set-up practices to require that, when setting up accounts established for NSF awards, personnel ensure that the accounts apply indirect costs using the rates that were established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of the NSF grant award, rather than using the rates included within the original grant proposal.

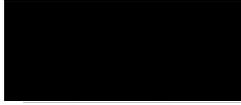
University of Florida Response: UF disagreed with this finding, noting that it believes the application of a lower indirect cost rate is allowable as voluntary uncommitted cost-sharing. Specifically, UF cited the language on voluntarily waiving entitlement to full reimbursement of indirect costs included in PAPPGs 10-1 through the subsequent PAPPGs applicable to the audit period, as well as the language that states an awarded indirect cost rate is *generally* [emphasis added] based on the NICRA effective at the time.

Auditors’ Additional Comments: Our position regarding this finding has not changed. Specifically, while UF contends that its determination to charge a lower rate is allowable under the NSF PAPPGs, 2 CFR §200, Appendix III, C.7, states that Federal agencies **must** [emphasis added] use the negotiated rates in effect at the time of the initial award throughout the life of the award, except as provided in paragraph (c) (1) of §200.414, which states that Federal agencies may use a rate that differs from the negotiated rate only when required by Federal statute or when approved by a Federal awarding agency. Further, for proposals accepted and awarded after January 30, 2017, NSF PAPPGs⁴² specifically state that the “use of an indirect cost rate lower than the organization’s current negotiated indirect cost rate is considered a violation of NSF’s cost sharing policy.”

⁴² This language initially appeared in NSF PAPPG 17-1 Chapter II, Section C.2 (g) (viii) and is included in the same location in NSF PAPPGs 18-1, 19-1, and 20-1.

As NSF did not approve the use of an indirect cost rate that was lower than the NICRA or an exemption to NSF's cost sharing policies for these awards, our position regarding these exceptions has not changed.

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
January 14, 2021

APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0419F0450
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
UNIVERSITY OF FLORIDA

SCHEDULE OF QUESTIONED COSTS BY FINDING

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	NSF Approval Not Obtained Before Transferring Award Research to Other Organizations	\$0	\$412,363	\$412,363
2	Unallowable Expenses	0	113,816	113,816
3	Inappropriately Allocated Expenses	0	112,827	112,827
4	Non-Compliance with NSF Award Terms and Conditions	0	1,717	1,717
5	Non-Compliance with UF Directives	0	0	0
6	Incorrect Application of Proposed Indirect Cost Rates	0	0	0
Total		<u>\$0</u>	<u>\$640,723</u>	<u>\$640,723</u>

APPENDIX B: UNIVERSITY OF FLORIDA RESPONSE



Contracts and Grants Accounting Services

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December 17, 2020

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

RE: University of Florida Performance Audit of Incurred Costs for National Science Foundation Awards for the Period October 1, 2016, through September 30, 2019

Dear Ms. Mesko,

The University of Florida (“UF” or “University”) has reviewed the draft audit report issued by Cotton and Cotton LLP on behalf of the National Science Foundation. UF’s formal response addressing each audit finding follows. Although the Audit Report contains a number of findings, the University does not believe these findings reflect systemic issues in its award management systems. Rather, while the University concurs with a portion of the questioned costs, it firmly believes that the vast majority of them are allocable, allowable and reasonable based on Federal regulations, NSF award terms and conditions and University policy.

Finding 1: NSF Approval Not Obtained Before Transferring Award Research to Other Organizations

UF did not obtain NSF’s approval before issuing subawards to three organizations to conduct portions of NSF-funded award research. Although UF’s annual reports to NSF indicated that non-UF collaborators were performing work at subawardee institutions, UF did not formally request approval to contract or transfer research to these organizations in the original grant proposal or through subsequent requests submitted to NSF via the NSF FastLane system, as required by NSF’s Proposal and Award Policies and Procedures Guides (PAPPGs). Specifically:

- UF charged NSF Award No. [REDACTED] for \$339,967 in subaward expenses invoiced by the University [REDACTED] under a subaward to allow the award’s Principal Investigator (PI) to continue conducting and coordinating grant-related research after transferring to [REDACTED]
- UF charged NSF Award No. [REDACTED] for \$42,911 in subaward expenses invoiced by [REDACTED] University [REDACTED] under a subaward to allow the awards co-PI to continue conducting and coordinating grant-related research after transferring to [REDACTED]

- UF charged NSF Award No. [REDACTED] for \$14,988 in subaward expenses invoiced by [REDACTED] University [REDACTED] under a subaward to allow [REDACTED] to conduct grant-related core sampling and data analysis.

UF did not have appropriate procedures and internal controls in place to ensure that it formally processed subaward requests within NSF's FastLane system and inappropriately relied on other forms of communication with NSF to support NSF's approval of the subaward. As a result, UF charged NSF for payments it made on three subawards for which UF did not appropriately request and receive required NSF approvals. We are therefore questioning \$412,363 of unallowable direct and indirect costs UF claimed related to these subawards. UF disagreed with all questioned costs within this finding, as illustrated in Table 1.

University of Florida Response: UF does not concur with this finding or the auditor's recommendation to repay the questioned costs of \$412,363. The funding was expended as proposed for the benefit of the projects in question and the research was coordinated and conducted by the key personnel named in the original proposal.

- UF's intent to issue a subaward to University [REDACTED] under Award No. [REDACTED] was included in the change of PI request submitted via NSF FastLane and approved by the NSF Grants and Agreements Officer.
- While the administrative step to request approval for issuance of a subaward to [REDACTED] University under Award No. [REDACTED] did not occur via NSF FastLane, UF had the concurrence of the assigned NSF Program Director to issue this subaward as evidenced by email correspondence.
- While the administrative step to request approval for issuance of subaward to [REDACTED] University on Award No. [REDACTED] did not occur via NSF FastLane, the University reported the subaward in progress reports. UF believes that statements in these reports submitted to NSF constitute notice to and effective approval by NSF. Further, the work performed under the subaward clearly benefitted the overall project. As such, the costs are allocable to the award.

Given that there were no changes in the proposed scope of work, no changes to the key personnel carrying out the work, and all costs clearly benefitted the projects to which they were assigned, UF asserts that this be considered a compliance finding with no questioned costs.

Finding 2: Unallowable Expenses

UF charged 17 NSF awards a total of \$113,816 in expenses that were unallowable under Federal regulations, PAPPGs, and/or UF policies and procedures, as referenced below. Specifically:

Unallowable Participant Support Costs

UF inappropriately used \$62,978 in funding provided for participant support costs to cover non-participant expenses and fringe benefits inappropriately applied to participant support costs payments, as follows:

- Between November 2011 and March 2019, UF used \$41,968 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses, including costs incurred for computer services, couriers, data processing, general operations, and building rentals.

University of Florida Response: The University does not concur with this finding. The costs identified as building rentals was for rental equipment, space, and IT services related to workshops and meetings as identified in the budget justification. Data processing services were for the hosting of meetings and workshops remotely. The following language "Participant support costs may not be budgeted to cover room rental fees, catering costs, supplies, etc. related to an NSF-sponsored conference." was not present in the PAPPG until version NSF-19-001 effective February 25, 2019, for proposals or awards made on or after June 1, 2020. The award in question was proposed and awarded prior to that time-period.

- Between February 2012 and February 2017, UF used \$3,711 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses, including costs incurred for building maintenance, other services, and fringe benefit expenses inappropriately applied to participant support costs.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- Between April 2012 and August 2018, UF used \$2,037 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- Between December 2013 and September 2019, UF used \$185 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses, including costs incurred for printing, planning services, and general operations.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- Between April 2015 and September 2019, UF used \$167 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- Between May 2015 and August 2019, UF used \$1,324 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant support costs.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In March 2017, UF used \$9,709 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover salary expenses for UF employees.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In June 2017, UF used \$3,856 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover expenses associated with providing food and beverage to UF employees at a workshop, including \$300 in bartender fees.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- Between October 2017 and December 2018, UF used \$21 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover non-participant expenses including miscellaneous supplies.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

Unallowable Rebudgeting of Participant Support Costs

UF inappropriately re-budgeted \$31,500 in funding provided for participant support costs without first obtaining the NSF Program Officer's approval to do so, as required by NSF's PAPPG, as follows:

- Between April 2012 and August 2018, UF charged \$1,737,646 of participant support costs against the \$1,775,044 participant support costs budget approved under NSF Award No. [REDACTED], leaving \$37,398 in participant support cost funding on the award. As UF did not request approval to re-budget these participant support cost, and claimed all but \$5,898 of the grant's total budget, UF appears to have inappropriately re-budgeted at least \$31,500 in participant support cost funding without NSF approval.

University of Florida Response: The University has agreed to reimburse NSF for these expenses. UF has agreed to reimburse NSF for the expenses that resulted from this error.

Unallowable Travel Expenses

UF charged six NSF awards for \$11,272 in unallowable travel expenses, as follows:

- In April 2018, UF charged NSF Award No. [REDACTED] for \$1,893 in airfare expenses that did not comply with the Fly America Act. Specifically, although UF provided a Fly America Act exception form to justify the allowability of this expense, the form did not support that the use of a foreign-flag carrier was appropriate, as a U.S. flag carrier was available to meet the travel

requirements of the trip. Further, we noted that UF did not complete this form when it originally purchased the flight, but rather, in July 2020, in response to this audit.

University of Florida Response: The University does not concur with this finding as it believes sufficient exceptions to the Fly America Act were documented. Four alternative itineraries had more than a 9 hour increase in travel time. The only alternative not meeting the exception regarding increase in travel time only allowed for 1 hour to make connections to a poorly served flight area. As such the decision to avoid longer connection delays and layovers and increased expenses (another exception to the Fly America Act) was made.

- In May 2018, UF charged NSF Award No. [REDACTED] for \$679 in travel expenses for a lodging confirmation deposit that the vendor did not credit to the final invoice it sent UF, and that UF therefore did not return to NSF.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In June 2018, UF charged NSF Award No. [REDACTED] for \$436 in travel expenses for a traveler that did not attend the NSF sponsored event.

University of Florida Response: The University does not concur with this finding. The participant was unable to attend the event as they had an emergency medical procedure. As this scenario was emergent and unforeseen, the University could not have avoided this cost. Support was provided to document this scenario.

- In July 2018, UF charged NSF Award No. [REDACTED] for \$350 in conference registration fees for a traveler that did not attend the NSF sponsored conference.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In September 2018, UF charged NSF Award No. [REDACTED] for \$25 in internet access fees incurred for five participants who did not attend the NSF sponsored conference.

University of Florida Response: The University does not agree with this finding. The \$5 fee was to set up internet access accounts which were done prior to the conference for each registered attendee. The accounts had already been established when UF learned that these participants would not attend. At this point, the fee was not eligible for refund.

- In July 2019, UF charged NSF Award No. [REDACTED] for \$7,889 in unallowable travel costs, including \$6,584 in business-class airfare, \$1,255 for lodging for an “accompanying person” whose travel did not relate to the scope of this award, and \$50 in lodging costs that exceeded the allowable General Services Administration (GSA) per diem rate.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

Unallowable Other Direct Costs

UF charged two NSF awards for \$4,604 in other unallowable expenses, as follows:

- In September 2017, UF charged NSF Award No. [REDACTED] for \$4,766 in costs incurred to cover tuition and fee expenses for graduate students. Although the graduate students' work appears to have benefited this award, UF noted that \$1,454 in expenses related to student activity fees were charged to the award in error.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In January 2019, UF charged NSF Award No. [REDACTED] for \$3,150 in costs incurred for a relocation allowance provided to a postdoctoral scholar without appropriate approval, as required by UF policy.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

Unallowable Publication Expenses

UF charged one NSF award for \$2,904 in expenses it incurred to publish an article which did not identify the NSF award charged, as required to be allowable per Federal policies, as follows:

- In October 2017, UF charged NSF Award No. [REDACTED] for \$2,904 in fees incurred to publish a research paper that did not acknowledge NSF Award No. [REDACTED] as a sponsor.

University of Florida Response: The University does not agree with this finding. The conference award in question specifically requested support for journal publication charges to disseminate the discussion and findings of each panel. The breakout sheet submitted evidences author participation in the conference for this purpose. Omitting this NSF award in funding acknowledgement was merely an oversight that the authors attempted to correct. However, the publisher informed them that the correction request was outside of the window of time the publisher allowed for such addendums.

Unallowable Indirect Costs

UF charged an NSF award for \$558 in unallowable indirect costs as a result of inappropriately applying its indirect cost rate to participant support costs, as follows:

- In July 2017, UF inadvertently charged \$1,200 of participant support costs to NSF Award No. [REDACTED] using a project code that applies indirect costs. As a result, UF inappropriately applied \$558 of unallowable indirect costs to the award.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

Finding 3: Inappropriately Allocated Expenses

UF did not always allocate expenses to NSF awards based on the relative benefits the awards received, as required by Federal regulations and NSF PAPPs. Specifically, UF inappropriately allocated a total of \$113,059 in expenses to 16 NSF awards, as follows:

Inappropriately Allocated Purchases Near Grant Expiration

UF inappropriately charged five NSF awards a total of \$35,648 in expenses associated with purchases near the awards' expiration dates, when UF had little to no time to use the purchases to benefit the awards, as follows:

- In December 2016, UF charged NSF Award No. [REDACTED] for \$4,502 in costs incurred to purchase lab supplies. Because UF purchased the supplies during the final month of the award's 5-year POP, UF does not appear to have allocated the cost of these items to this award based on the relative benefits received.

University of Florida Response: The University does not concur with this finding. The lab supplies purchased were sent to [REDACTED] University to replenish lab supplies in [REDACTED] inventory, utilized by UF's collaborator, [REDACTED] to perform sample analysis for this project.

- In February 2018, UF charged NSF Award No. [REDACTED] for \$8,900 in costs incurred to purchase materials for specimen testing. The materials were purchased during the last five days of the award's nearly 6-year POP and do not appear to have been received before the grant's expiration date. As such, UF does not appear to have allocated the costs of these materials to this award based on the relative benefits received.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In February 2018, UF charged NSF Award No. [REDACTED] for \$5,555 in costs incurred to purchase materials and supplies used to construct a wall as part of the research under this award. Because UF purchased the materials during the final month of the award's nearly 6-year POP, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

In February 2018, UF charged NSF Award No. [REDACTED] for \$3,737 in costs incurred to purchase lab supplies. Because UF purchased the materials during the final month of the award's nearly 6-year POP, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In July 2018, UF charged NSF Award No. [REDACTED] for \$15,761 in costs incurred to purchase a 1-year software subscription. Because only two-and-a-half months of the software subscription's 12-month licensing period fell within the award's POP, 79.2 percent of the subscription cost, or \$12,477, does not appear to have been appropriately allocated to this award.

University of Florida Response: The University does not concur with this finding. The software subscription was necessary to carry out the objectives of the agreement and allocated based on the funding source that benefitted at the time of purchase. In addition, UF provided response from the vendor, which confirmed that it was not possible to purchase less than a 1-year subscription.

- In April 2019, UF charged NSF Award No. [REDACTED] for \$56 in costs incurred to purchase first-aid supplies. Because UF purchased the first-aid supplies during the final 2 months of the award's 4-year POP for the purpose of restocking its supplies, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

- In May 2019, UF charged NSF Award No. [REDACTED] for \$421 in costs incurred to purchase nitrile gloves. Because UF purchased the nitrile gloves during the final month of the award's 3-year POP for the purpose of restocking the PI's lab, UF does not appear to have allocated the cost of these supplies to this award based on the relative benefits received.

University of Florida Response: The University does not concur with this finding. These costs were incurred to replenish gloves in UF's inventory that were utilized to get the project started.

Inappropriately Allocated Salary Payout Expenses

UF inappropriately allocated \$34,200 in salary payout expenses to two NSF awards as follows:

- In February 2018, UF charged NSF Award No. [REDACTED] for \$33,968 associated with a severance, or non-reappointment, payout provided to an employee who was notified they would not be reappointed for a future position. Because the employee did not allocate 100 percent of their effort to this award prior to their termination, and because the severance payment was made for three months of salary that the employee did not spend participating on this award, UF does not appear to have appropriately allocated the employee's severance payout to this award.

University of Florida Response: The University does not concur with this finding. Documentation was provided to support appointment of this individual as a [REDACTED] with an assignment to and certification of 100% of [REDACTED] effort to the NSF award. Costs related to the non-reappointment of the individual to their position on the NSF award were processed in accordance with university policy and the employee's assignment at the time of separation. University policy states "Employees shall receive three months' notice that their appointments will not be renewed. Supervisors may opt to give such an employee a reassignment or restructuring of job duties during this time. Alternatively,

the department may opt to end employment right away and pay a lump sum amount equivalent to the employee's salary (less tax withholdings) for the three-month notice period. University policy for non-reappointment requires a three month notice period. In the instance of this individual the supervisor opted to end employment right away and the three month notice period was processed as a lump sum amount equivalent to the employee's salary for the three month notice period."

- In November 2018, UF charged NSF Award No. [REDACTED] for \$5,808, or 100 percent of a leave payout paid to a postdoctoral associate. However, as the employee only certified 96 percent of their effort as allocable to the NSF award during the period in which this leave was earned, \$232 of the payout amount does not appear to have been appropriately allocated to this award.

University of Florida Response: The University does not concur with this finding. The amounts in question were related to leave taken not a leave payout. Per University policy, leave is charged to the sources where salary is distributed at the time the leave is taken. The individual was distributed 100% to the NSF grant at the time the leave was taken.

Inappropriately Allocated Publication Costs

UF did not allocate publication costs based on the relative benefits received by all projects that sponsored published research. Specifically, on nine occasions, UF charged 100 percent of a publication's cost to a single award, despite the publication acknowledging multiple funding sources, as illustrated in Table 3.a.

While a percentage of the publication costs do appear allocable to the awards charged, because UF did not identify a reasonable allocation methodology for any of these expenses, we are questioning the \$31,859 in publication costs identified in the table above.

University of Florida Response: The University does not concur with this finding. UF believes it was operating within the spirit of the NSF policy, which supports the publication of significant findings associated with research performed on NSF awards in order to make the findings publicly available. It is not reasonable to assume that costs can be allocated to all acknowledged sources as contributions may be material not financial, can expire months or years prior to publication, can involve a number of authors and leverage a number of funding sources not all of which would support such costs at the time of publication.

Inappropriately Allocated Travel Expenses

UF inappropriately allocated \$7,793 in travel expenses to an NSF Award, as follows:

- In July 2019, UF charged NSF Award No. [REDACTED] for \$7,793, or 50 percent of the travel costs incurred for a non-grant participant to attend a conference. While this participant traveled with the PI of NSF Award No. [REDACTED] because he did not allocate any effort to this

NSF award and as he was not identified as an award participant, UF should not have allocated any of this participant's travel expenses to this award.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

Inappropriately Allocated Tuition Remission

UF inappropriately allocated \$3,559 in tuition remission expenses to an NSF award, as follows:

- In August 2018, UF charged NSF Award No. [REDACTED] for \$14,329 in tuition remission for a graduate student enrolled at UF. Although UF included funding to support a graduate student's tuition in the budget justification and identified the graduate student in the annual report submitted to NSF, UF inappropriately charged NSF for \$3,559 in tuition fees related to extra credit hours that were not allocable to the NSF award charged.

University of Florida Response: The University has agreed to reimburse NSF for these expenses.

UF did not have proper internal controls in place to ensure that it consistently allocated costs to sponsored awards based on the relative benefits that the awards received. We are therefore questioning \$113,059 of inappropriately allocated direct and indirect expenses charged to 16 NSF awards. UF concurred with \$29,600 of the questioned costs but disagreed with the remaining \$83,459, as illustrated in Table 3.b.

University of Florida Response: UF disagrees with the assertion that it lacks appropriate internal controls. UF has appropriate internal controls in place and notes the human component of processing any transaction introduces the potential for human error into the process. The University is committed to continuous improvement; the process of reviewing and refining systems, processes and training is ongoing. In addition UF believes the audit methodology utilized to disallow a portion of the costs in this finding was flawed as noted in response to the specific items noted above.

Finding 4: Non-Compliance with NSF Award Terms and Conditions

UF charged one NSF award for \$1,717 in expenses that did not comply with NSF award terms and conditions. Specifically:

- In June 2017, UF charged NSF Award No. [REDACTED] for a \$3,020 Graduate Research Fellowship Program (GRFP) stipend payment. Although the graduate student was an active fellow at the time they received the stipend payment, when UF entered the payment into its system, it inadvertently used a retroactive pay date that caused it to pay the student \$3,020, rather than the \$1,303 that the student should have received.

University of Florida Response: UF concurs with this finding and notes that this was a single instance of human error, not indicative of the control environment. The UF Graduate School has enhanced its procedures relative to the processing and reconciliation of GRFP stipends and has provided additional training to all staff involved in this process.

Finding 5: Non-Compliance with UF Directives

UF did not always comply with, or did not always document compliance with, its internal procurement and travel directives and procedures when incurring costs charged to NSF awards. Because these instances of non-compliance did not directly result in UF charging unallowable costs to NSF awards, we are not questioning any costs for these exceptions.

Non-Compliance with UF Procurement Directives and Procedures

We identified three instances in which UF did not comply with its internal procurement directives and procedures, which require purchases of goods or services over \$1,000 to be approved by procurement services and supported by a voucher, purchases over \$10,000 to be sole-sourced or competitively bid, and purchases over \$100,000 to be approved by UF's General Counsel (GC), as follows:

- In March 2017, UF charged NSF Award No. [REDACTED] for \$32,935 in costs incurred for consulting services. Although the consulting services were allowable and allocable to the award, the consulting agreement was not approved by Procurement Services, supported by a voucher, or awarded through a sole-source justification or a competitive bidding process.

University of Florida Response: The March 2017 transaction was an account code correction only. The original transactions dated 07/09/13, 03/01/14, and 04/14/16 fall outside of the audit period 10/01/16-09/30/19 and are not indicative of the control environment in place during the audit period.

- In August 2018, UF charged NSF Award No. [REDACTED] for \$162,640 in costs incurred to purchase a multi-collector. Although purchasing the multi-collector was the primary purpose of the NSF award and the purchase appears to have been allocable to the award charged, UF did not provide support that UF's GC approved this purchase.
 - *In response to this exception, UF provided an alternate version of its Procurement Directives and Procedures that does not include a requirement for UF to obtain GC approval. However, because this version of the directive does not indicate the period(s) to which it applies, we were unable to determine which of the directives provided was in effect at the time of the purchase.*

University of Florida Response: The University does not concur with this finding. UF provided accurate language applicable to the cost under review. The web version had simply not been updated to reflect the updated Directives and Procedures. Please see attached letter from UF's Procurement Director documenting such.

- In September 2018, UF charged NSF Award No. [REDACTED] for \$999,804 in costs incurred to purchase a high-resolution photon emission and electro-optical microscope. Although the equipment purchased appears to be reasonable, allowable, and allocable to the award charged, UF did not provide support that GC approved this purchase.
 - *In response to this exception, UF provided an alternate version of its Procurement Directives and Procedures that does not include a requirement for UF to obtain GC approval. However, because this version of the directive does not indicate the period(s) to which it applies, we were unable to determine which of the directives provided was in effect at the time of the purchase.*

University of Florida Response: The University does not concur. UF provided accurate language applicable to the cost under review. The web version had simply not been updated to reflect the updated Directives and Procedures. Please see attached letter from UF's Procurement Director documenting such.

Non-Compliance with UF Accounting Directives

We identified two instances in which UF did not comply with its internal accounting directives which require UF to complete a Cost Accounting Standards (CAS) exemption form when charging costs that are typically considered indirect, such as computing devices, directly to sponsored programs, as follows:

- In November 2017, UF charged NSF Award No. [REDACTED] for \$16,048 in costs incurred to purchase four Apple iPads. Although the iPads appear to have been allocable to the award charged, UF did not provide documentation to support that it had completed a CAS exemption form.
- In January 2018, UF charged NSF Award No. [REDACTED] for \$9,314 in costs incurred to purchase a computer and related accessories. Although the computer and computer accessories appear to have been allocable to the award charged, UF did not provide documentation to support that it had completed a CAS exemption form.

University of Florida Response: The University does not concur with this finding. While the university was unable to locate copies of the CAS exemption form in these two instances, the costs incurred met the criteria for CAS exemption approval. The costs are reasonable, allocable and consistently applied and therefore allowable on the NSF awards.

Non-Compliance with UF Travel Directives

We identified seven instances in which UF did not comply with its internal travel directives, as follows:

- In December 2016, UF charged NSF Award No. [REDACTED] for \$15,855 in travel costs incurred to enable a postdoctoral scholar and other researchers to perform grant-related fieldwork in [REDACTED], [REDACTED]. Although the travel expenses appear to have benefited the award charged, when UF processed the per diem reimbursements for this travel, it used both the per diem and actual methods of reimbursement and calculated the per diem reimbursement using the per diem rate for “Other” locations in [REDACTED] rather than the rate for [REDACTED], [REDACTED], allowable per UF directive.
 - *Because the rate that UF used was lower than the appropriate rate, we are not questioning any costs associated with these travel expenses.*
- In December 2016, UF charged NSF Award No. [REDACTED] for \$15,855 in travel costs incurred to enable a postdoctoral scholar and other researchers to perform grant-related fieldwork in [REDACTED], [REDACTED]. Although the travel expenses appear to have benefited the award charged, UF issued a travel advance to the postdoctoral scholar but did not ensure that the traveler settled the advance within 10 days of their return, as required by UF directive.
 - *Because the late settlement of the travel advance did not result in any additional expenses, we are not questioning any costs associated with these travel expenses.*

University of Florida Response: The University does not concur. UF Directives and Procedures include escalation procedures. These procedures were followed, resulting in the close out of these travel advances within 30 workdays.

- In September 2017, UF charged NSF Award No. [REDACTED] for \$12,820 in travel costs incurred to enable the PI, co-PI, and a graduate student to collaborate with other researchers, as requested in the award budget justification. Although the travel appears to have benefited the award charged, UF reimbursed the travelers based on an inconsistent combination of U.S. State Department per diem rates, UF per diem rates, and rates that UF claims were specifically agreed upon for NSF Award No. [REDACTED].
 - *Because UF did not overcharge the award for the per diem costs, we did not question any costs associated with this exception.*
- In July 2018, UF charged NSF Award No. [REDACTED] for \$10,740 in registration fees to enable students to attend the 2018 [REDACTED] conference. Although the students’ attendance at this conference appears to have benefited the award charged, UF did not provide documentation to support that personnel completed travel authorizations for the students who participated in this travel, as required by UF directive.
- In September 2018, UF charged NSF Award No. [REDACTED] for \$10,198 in travel costs incurred to enable the PI to conduct field research in [REDACTED]. Although the travel appears to have benefited the award charged, the PI booked one night’s lodging at a rate of \$207 per night, which exceeded the U.S. State Department’s maximum lodging rate for [REDACTED] of \$177 per

night. UF did not obtain the appropriate justification and prior approval for the increased lodging rate, as required by UF directive.

- *Because UF was able to provide a reasonable justification for the higher lodging rate in response to this audit, we are not questioning any costs associated with this exception.*
- In August 2019, UF charged NSF Award No. [REDACTED] for \$22,262 in travel costs incurred to enable the PI to perform fieldwork and attend grant-related workshops. Although the travel appears to have benefited the award charged, UF issued a travel advance to the PI but did not ensure that the PI settled the advance within 10 days of their return, as required by UF directive.

University of Florida Response: The University does not concur. UF Directives and Procedures include escalation procedures. These travel advances were closed within 30 workdays, as called for within the escalation procedures.

- In September 2019, UF charged NSF Award No. [REDACTED] for \$5,224 in travel costs incurred to enable the entrepreneurial lead to attend trade shows, a conference, and events to conduct follow-up interviews. Although these trips appear to have been allocable to the award charged, the traveler did not submit three of the five expense reports provided to support these trips within 60 days of their return, as required by UF directive.

University of Florida Response: The University does not concur. UF Directives and Procedures include escalation procedures. These travel advances were closed within 30 workdays, as called for within the escalation procedures.

Finding 6: Incorrect Application of Proposed Indirect Cost Rates

UF applied incorrect indirect cost rates to direct expenses accumulated on 10 NSF awards. For each of these awards, UF applied the Negotiated Indirect Cost Rate Agreement rate that was in effect at the time it submitted the award proposal, rather than the rates included in the Negotiated Indirect Cost Rate Agreement that was in effect as of the date of award, as required by Federal and NSF guidance.

When UF received an NSF grant, it established accounts that were set up to apply indirect costs at the rate(s) included within the approved proposal, so long as the rate was equal to or less than the current rate at the time of the award, to avoid negatively impacting the direct costs for the project. As a result, UF applied inappropriate indirect cost rates to direct expenses accumulated on 10 NSF awards, as illustrated in Table 6.

University of Florida Response: The University does not concur with this finding. The PAPPGs section referenced in the auditors finding (Part I, Chapter II, Section C.2.g.(viii)) applies only to the NSF proposal budget: "...the applicable US Federally negotiated indirect cost rate(s) must be used in computing indirect costs (F&A) *for a proposal.*" The University complied with the requirement to

budget costs according to its NICRA. The PAPPG section relevant to the *charging* of indirect costs to an NSF award is Chapter X.D.1. PAPPG 10-1 and 11-1 state “It is NSF policy that grantees are entitled to reimbursement from grant funds for indirect costs except where specifically excluded by AAG Chapter V.D.1b, or when the grantee waives entitlement to full reimbursement of indirect costs voluntarily... (ii) The awarded indirect cost rate is generally based upon a grantee’s current Federally negotiated indirect cost rate agreement.” PAPPG 13-1 and all PAPPGs subsequent but through periods covered by the audit provide “(ii) The awarded indirect cost rate is generally based upon a grantee’s current Federally negotiated indirect cost rate agreement.” The fact that the various versions of the clause allow for the University to waive entitlement voluntarily or provide that the awarded rate generally follow the NICRA both indicate that the University has the right to charge a lower rate. The University asserts that its determination to charge a lower rate is allowable as Voluntary Uncommitted Cost Sharing per the PAPPG definition of “While not required by NSF, the grantee may, at their own discretion, continue to contribute voluntary uncommitted cost sharing to NSF-sponsored projects. **As noted above, however, these resources are not auditable by NSF and should not be included in the proposal budget or budget justification.**”

If you have any questions or require any additional information, please feel free to reach out to me directly by phone or email.

Regards,

Tiffany Schmidt  Digitally signed by Tiffany Schmidt
DN: c=US, o=University of Florida

Tiffany Schmidt
Assistant Vice President, UF Research
Contracts & Grants Accounting Services

APPENDIX C: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we”) to conduct an audit survey, the objective of which was to evaluate UF’s award management environment to determine whether any further audit work was warranted and to recommend a path forward as described in the task order performance work statement, and then to perform any additional audit work, as determined appropriate.

Accordingly, we conducted this engagement in two phases, as follows:

Audit Survey Phase: After obtaining NSF OIG’s approval for our audit plan, we performed all of the audit survey steps outlined in the plan. Generally, these steps included:

- Assessing the reliability of the general ledger data that UF provided by comparing the costs charged to NSF awards per UF’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests.
 - Our work required us to rely on computer-processed data obtained from UF and NSF OIG. NSF OIG provided award data that UF reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that UF provided by (1) comparing the costs charged to NSF awards per UF’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that UF submitted to NSF during the audit survey POP; and (2) reviewing the parameters that UF used to extract transaction data from its accounting systems. We identified a number of discrepancies between the amounts supported by UF’s general ledger and the amounts that UF claimed per NSF’s ACM\$ system; however, we found UF’s computer-processed data to be sufficiently reliable for the purposes of the audit survey, as UF was able to provide justification for all discrepancies identified and we did not identify any issues with the parameters that UF 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, or the controls over, NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for FY 2019 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.
 - UF provided detailed transaction-level data to support all costs charged to NSF awards during the period. This data resulted in a total audit universe of \$137,175,313 in costs claimed on 683 NSF awards.

- Obtaining and reviewing all available accounting and administrative directives/policies and procedures, external audit reports, desk review reports, and other relevant information that UF and NSF OIG provided, as well as any other relevant information that was available online.
- Summarizing our understanding of Federal, NSF, and UF-specific directives/policies and procedures surrounding costs budgeted for and/or charged to NSF awards and specifically 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 UF's internal controls, within the audit's scope, solely to understand whether the directives/policies and procedures UF has in place to ensure charges against NSF awards were in compliance with relevant Federal regulations, NSF award terms, and UF directives/policies.
- Evaluating the strengths and weaknesses of the directives/policies and procedures that UF has in place to control the inherent, fraud, and control risks identified for each budget category.
- Providing UF with a list of 45 transactions that we selected based on our data analytics and requesting that UF provide documentation to support each transaction.
- Reviewing the supporting documentation that UF provided and requesting additional documentation as necessary to ensure that we obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction under relevant Federal,⁴³ NSF,⁴⁴ and UF directives/policies.⁴⁵
- Holding interviews and walkthroughs to discuss payroll (including effort reporting), fringe benefits, travel, participant support costs, procurement, equipment (including performing an inventory check), the Graduate Research Fellowship Program, other direct costs (including areas such as patents, relocation, recruiting, interest, advertising/public relations, entertainment, fundraising, lobbying, selling/marketing, and training costs), grant close-out procedures, subawards, ACM\$ processing, indirect costs, and other general directives/policies (including areas such as pre- and post-award costs, program income, whistleblower information, research misconduct, and conflict of interest directives/policies).

⁴³ We assessed UF's compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 2 CFR Part 220, *Cost Principles for Educational Institutions* (Office of Management and Budget Circular A-21); and 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (Office of Management and Budget Circular A-110), as appropriate.

⁴⁴ We assessed UF's compliance with *NSF Proposal and Award Policies and Procedures Guides* 10-1, 11-1, 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, and 19-1, and specific NSF award specific terms and conditions, as appropriate.

⁴⁵ We assessed UF's compliance with internal UF directives, policies, and procedures surrounding costs budgeted for and/or charged to NSF awards.

- Preparing an organizational risk assessment that (1) summarized the results of our planning/initial fieldwork, (2) included areas of elevated risk of noncompliance that we identified in the organization's award management environment, and (3) contained our recommendations for expanded testing.

Based on the areas of elevated risk of noncompliance identified during the survey phase, we determined that we should perform further audit procedures that included:

- Conducting additional data analytics, evaluating the results of the analytics, and re-running analytical tests, as necessary.
- Selecting an additional audit sample of 82 transactions.
- Conducting additional fieldwork, which included providing the list of 82 transactions to UF and requesting/reviewing supporting documentation until we had obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
- Conducting additional audit work in three areas to evaluate whether UF (1) inappropriately allocated termination or leave payouts to NSF awards, (2) appropriately accounted for participant support costs and received prior approval as necessary, and (3) appropriately received NSF approval for the use of subawards prior to execution.

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 UF personnel to ensure that UF 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*. 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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