



2018-19 OIG Awardee Audit Highlights

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2018-19 Audits

- NIH Subrecipient Risk Assessment of Northwestern University and Weill Cornell Medicine
- NSF Incurred Cost Audits
 - Tufts University
 - University of Montana
 - Northwestern University
 - Colorado State University
 - Princeton University
 - University of Tennessee
 - University of Minnesota
 - Arizona State University
- NSF Incurred Cost Audits
 - Ohio State University
 - University of Utah
 - University of Maryland College Park
 - University of Delaware
 - University of Texas at Austin
 - University of Pennsylvania
 - University of Cincinnati

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Cornell Weill and Northwestern University Subrecipient Monitoring

Northwestern - Out of 61 subawards totaling \$9.7 million only 7 risk assessments were preformed.

The auditors recommended that Northwestern:

- establish policies to perform subrecipient risk assessments for affiliates, FDP members, and non-Federal subrecipients subject to 45 CFR part 75, and
- ensure that subrecipient risk assessments are performed on all non-Federal subrecipients subject to 45 CFR part 75.

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NSF Auditing Firms

- WithumSmith+Brown, PC (WSB)
- Cotton & Company LLP (C&C)
- Grant Thornton LLP (GT)
- Kearney & Company PC (Kearney)
- Moss Adams, LLP (Moss Adams)
- NSF Office of the Inspector General

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Unallowable

- **Relocation Costs.** Are allowable if the *proposal* indicates that the grantee intends to hire a named individual who is essential to the project on a full-time basis for a continuous period of 12 months. As there was no indication in the proposal that the University intended to hire anyone, the cost is unallowable.
- **Relocation Costs.** For moving and relocation expenses to be allowable, the NSF guidelines require *that the individual be essential to the project on a full-time basis for a continuous period of at least 12 months.* However, against Federal and NSF guidelines, the three employees for whom relocation cost were paid, did not work on the award for the first 12 months following their relocation.
- **Equipment.** Equipment purchased not provided in the project budget.
- **Equipment.** A \$10,850 piece of equipment was received, the equipment was defective when received. The organization returned the equipment and requested a vendor refund. To date, the university has not received the refund; therefore, it has not refunded NSF for the purchase price of the unusable. No benefit was received for this purchase, and the entire purchase price is questioned.
- **Travel.** PI travel paid out of the participant support budget line.

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Consultant/Contractor/Employee

- In December 2014 and February 2016, the awardee charged \$32,000 and \$48,000, respectively, to an NSF Award *for payments made to a company for consulting services rendered by a company representative who was also an awardee's employee who served as Senior Personnel on the award. Annual reports identified the individual as an awardee employee who participated on the award; however, the organization treated the employee as an independent consultant for the private company when paying for grant-related services.*
- **No consulting agreement.** Because the organization did not enter into a consulting agreement with the company to allow this employee to provide grant-related services, auditors were unable to verify the scope of the work performed, when the employee performed the work, or how the organization determined the amount paid to be reasonable or allowable. Further, the auditors' noted that according to the organization's procurement policies, the organization must pay employees using its payroll system; therefore, the organization may not treat them as independent contractors. Resulting in the questioning all costs associated with the consulting services.

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Equipment

- **Near the End of the Award.** Organization charged NSF Award \$6,003 of expenses incurred on November 23, 2015 to purchase a water chiller. The PI stated that the chiller was necessary for a graduate student to continue performing work related to the award; however, it does not appear reasonable to charge the full cost of this expense to the NSF award, as *the equipment would only have been available for a maximum of 7 days of the award's 5-year period of performance.*
- **After Award Ended.** Equipment was ordered on the last day of the award and received the following month.
- **Not Necessary.** Auditors questioned \$5,068 (\$3,334 direct costs plus \$1,734 indirect costs) for the purchase of computer equipment that was allocated 31.78 percent to NSF award. According to the organization the allocation was based on funds available in the NSF award for software, which turned out not to be needed. *The allocation was based on funding availability and the budget, rather than on the proportional benefit received or other documented methodology;* therefore, we questioned the amount charged to the NSF award.

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Equipment & Allocability

- **Distribution of Costs.** Auditors questioned \$5,083 for the purchase of an equipment accessory. The cost of the accessory was \$6,354 and was charged 100 percent to NSF award; however, *according to the PI, the equipment was used 20 percent on the NSF award and 80 percent on another NSF award.* Therefore, \$5,083 (80 percent of \$6,354) of the cost of the equipment should not have been allocated to NSF award.
- **Distribution of Costs.** Auditors questioned \$6,351 (\$4,178 direct costs plus \$2,173 indirect costs) for the purchase of two software licenses charged entirely to NSF award. The software was shared by the entire group in the lab and considered part of the general recurring costs, rather than to solely advance the work of this NSF award. The software licenses were valid from July 2, 2013 to September 18, 2014; the NSF award expired on January 31, 2014. *The PI provided a list of six other projects that used the software, but did not indicate the proportional benefit to each project. Therefore, we determined that allocating 100 percent of the cost of the software to the NSF award was not reasonable.*
- **Distribution of Costs.** Auditors questioned \$3,020 for the purchase of lab equipment charged to an NSF award. The total cost of the equipment was \$15,099, and it was charged 100 percent to this NSF award. *According to the PI the equipment was used 80 percent on the NSF award and 20 percent by other projects. Therefore, we question \$3,020 (20 percent of \$15,099) for the cost of the equipment that did not benefit this NSF award.*

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Unreasonable Travel

- ▶ Travel by individuals not working or paid on the award.
- ▶ **Travel which is not mentioned in the progress report.**
- ▶ Travel in which the speaker was not listed as a presenter.
- ▶ Travel inconsistent with the scope of work.
- ▶ Travel reimbursements inconsistent with institutional timeliness requirements.
- ▶ Failure to secure travel authorization consistent with institutional policy.
- ▶ Travel reimbursed for personal time unrelated to conferences (including entire cost of the airfare).

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Travel

- ▶ A Co-PI stated that, *"This trip combined visiting several colleagues in and visiting other colleagues from and the that were on ."* Additionally, the Co-PI stated, *" This trip enabled me to visit, share and present NSF-funded results, and learn from a number of different colleagues that are experts in their field. It was a unique opportunity to be able to visit a number of different colleagues with minimal travel, time and expense."*
- ▶ Based on the following, the auditors conclude that the travel was not necessary, reasonable, or prudent for the administration of the award:
 - ▶ *The auditors did not receive any documentation to support the meetings with colleagues that occurred* in or (i.e. with whom the meetings were held, where they occurred, or what was discussed).
 - ▶ The travel did not appear necessary to complete the objectives of the award.
 - ▶ The travel did not provide a clear *benefit to the award.*
 - ▶ There is *no mention of the travel or meetings with colleagues in or in the final report.*
 - ▶ The *travel was at the end of the NSF award life.*
 - ▶ When the *Request for Travel Authorization was filed, discretionary funding was used to support the trip. The Co-PI stated he was not sure at the time that the NSF grant had enough funds to cover the trip, even though the trip was in support of research related to the NSF grant.* Later, however, it became clear that the funds on the NSF award were sufficient to cover the expenses for the trip and the costs were transferred at the end of the award.
 - ▶ The Co-PI also took *personal days during the travel dates.*

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Allocability

- ▶ **Travel.** PI charged travel to an award, but because the *paper* acknowledged support from three other NSF awards and did not acknowledge this award and as the PI *did not include any information regarding this conference or the paper in the annual reports* for the award, the trip does not appear to have been allocable to the award.
- ▶ **Travel.** The organization charged \$5,458 in travel expenses incurred for foreign undergraduate students to travel to a summer program at the organization. The organization *did not include program participation costs* in the budget and the *student program did not appear to relate to the objectives* of the award. Therefore the expense should not have been charged to this NSF award.
- ▶ **Subscription Services.** An organization charged approximately 81 percent of the expenses incurred to purchase access to a Deed and Tax data set for 96 months to an NSF Award. *The 81% correlated with the remaining \$61,984 of funding on the award.* While the PI noted that the data set was used to perform grant related research, but *only 2 percent of the data set access period fell within award period.*

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Allocability

- ▶ **Resources.** A resource (under \$5,000) was purchased and it was noted to be critical to the continued work of the grant. According to staff, the purchased resource was to *replace a resource that broke during the course of work performed.* While the resource was a necessary part of the grant, *the actual purchased replacement were not used to support the award, as the specific department instead borrowed a working resource from a separate department. The purchased resource was given to the department that had loaned its for use on the NSF award. The incurred costs were coded as supplies and posted after award expiration.* As the purchased item was never utilized by the grant the resource was charged to, these costs have been determined to be unallowable.
- ▶ **Supplies.** Supplies were ordered on April 11, 2014, the materials transaction was received on July 23, 2014, recorded in the GL on July 24, 2014, with an invoice date of June 27, 2014; however, the award expired on June 30, 2014.
- ▶ **Equipment.** Equipment costs were distributed equally across three awards without documentation of the distribution/allocability determination.

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Allocability

- **Unsupported Publication Costs:** The organization charged future publication costs, totaling \$5,675, on June 28, 2016 to an Award which had an expiration date of March 31, 2016. According to personnel, NSF allows the transfer of funds from the award to an institutional account for valid unpaid obligations at the end of the award. However, documentation (i.e., purchase order, invoice, etc.) to corroborate the amount of the publications was not provided (per the organization, these publications have not occurred as of October 2018); thus, the grant was charged based on an estimate and not based on actual costs incurred. Therefore, we questioned \$5,675 associated with the publication costs.
- **Invoice distribution not based on identified goods.** The auditors questioned \$34,042 for the purchases of the materials and supplies. The invoices provided for audit included multiple line items. *The organization was unable to identify the specific line items that related to the transactions selected for audit.*
- **Resources.** The auditors questioned \$3,613 for the purchase of an X-ray tube for which adequate documentation was not provided. The organization provided a credit card sales receipt dated July 29, 2016, but did not provide the actual invoice to support this transaction. *In addition to the credit card receipt, auditors were subsequently provided a vendor invoice; however, the invoice was dated July 25, 2017, which was 1 year after the date of the credit card sales receipt.*
- **Publication Costs.** \$1,739 in printing expenses related to "Flyers/Brochures/Menus." was charged to an NSF award budget which did not contain funding to support publication expenses, and the organization was unable to support how this expense benefitted the award.

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Supporting Documentation – NSF Prior Approval

- **Subaward v. Consulting Firm.** The auditors questioned \$38,500 (\$26,000 direct costs and \$12,500 indirect costs) charged to an award for a consulting firm to perform data collection surveys. The NSF-approved budget indicated that the surveys would be performed by another University through a collaborative proposal. The organization stated that when the PI moved from the collaborating university to a consulting firm, he moved his portion of the grant there, including the data collection. However, *the organization did not provide any evidence that NSF was notified or approved the change in the scope of work to divert funds from the University to the consulting firm. As a result, auditors questioned the costs charged by the consulting firm.*

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Supporting Documentation - PCards

- **Vendor Invoices.** Auditors identified four credit card purchases, charged to four awards, totaling \$43,714, that were unsupported. For the four questioned transactions the organization was unable to provide the original vendor invoice to support the transaction. *According to officials in the organization's Office of Research Administration, when a Procurement buyer makes payment against an organizational purchase order using an institutional credit card, an invoice is not required. The documentation provided by the organization for each of the transactions was a copy of the purchase order requisition, quote from the vendor, and payment activity report.* According to Federal regulations, the organization must provide adequate documentation to support costs charged to sponsored agreements. Without the vendor invoice, we are unable to verify the items purchased and their actual costs.

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Supporting Documentation – Service Center Charges

- Auditors questioned \$10,030 (\$9,027 direct costs plus \$1,003 indirect costs) for internal service center charges for which adequate documentation was not provided. *The organization provided the journal voucher, but did not provide supporting documentation for the transaction.*

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Failure to Comply with Institutional Policies

- ▶ **P-Card.** Charging of P-card purchases in excess of the institutional threshold
- ▶ **Petty Cash.** Petty cash funds exceeded the allowable amount per organizational policy and allowable maximum disbursement amount

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Participant Support Costs (PSC)

- ▶ **Meals** - \$9,524 for one dinner at a price of \$122 per conference participant, which is significantly greater than the \$23 dinner per diem allowable for students per university policy. We requested documentation to support that the meal costs incurred were reasonable, allowable, and allocable; however, the organization was unable to do so. Because we were unable to verify that the organization used these funds to reimburse actual, reasonable, and allowable expenses, we are questioning all costs associated with this dinner.
- ▶ **Participant Award.** *A stipend was charged to an award provided to a student for service on the Student Leadership Committee, which was not necessary to achieve the goals and objectives* outlined in the proposal and did not appear to represent a reasonable and necessary expenditure that is ordinary and necessary to execute the goals of the grant.
- ▶ **Service Award Stipends.** Costs related to a service awards for recognition for a papers presented which did not represent reasonable and necessary expenditures related to the goals of the award.

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Participant Support Costs (PSC)

- **Stipends v. Participant Support.** The organization charged \$24 to University Services for a rush payment fee to expedite the payments of two scholarships for participants. In another instance the organization charged \$780 to University Services for bus passes for visiting students. Because the proposal budgeted for PSC funding as stipend payments, restricting funding to be paid as a stipend only, \$834 was questioned as unsupported participant expenses.
- **Parking Costs.** Stipends were provided under the participant support costs (PSC), but charges reflected \$128 to University Services for parking permits. Because the proposal budgeted for PSC funding as stipend payments, restricting funding to be paid as a stipend only, we questioned \$128 as unsupported participant expenses.
- **Stipend Payment.** Lump sum participant support payments without documentation inconsistent with the project's budget justification.

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Compensation and Effort Reporting Issues

- Effort report certifications not timely
- Effort reports not certified
- Compensation inconsistent with appointment letter
- Unallowable salary and wages
- Misclassification of stipends and personal services agreements as salary and the application of fringe benefits
- System weaknesses

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Subaward Issues

- **Payment approval.** Unapproved or inadequate approval for subaward payments
- **Detailed invoices and unallowable costs.** Subawardee submission/payment of unallowable/unreasonable expenses
- **Sole Source Justification.** Organization was unable to support that a consulting agreement was appropriately procured in accordance with organization policy. While the consultant was specifically identified in the NSF grant proposal, the organization's policies note that a single/sole source justification and/or a waiver of competitive bidding form should have been completed as the agreement was over \$10,000.

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Negotiated Indirect Cost Rate Application (NICRA)

- The organization used an incorrect predetermined NICRA rate; *the organization was using a 49.5% predetermined NICRA rate that was not effective as of the award effective date*; instead, Utah used the rate based on the most recently received NICRA rate letter. The University made no reconciling entries to adjust the F&A rate to the correct rate of 50.5%. As a result, more direct costs could have been claimed to the award; therefore a financial impact for questioned costs did not occur, and this finding is noted only as an internal control issue. Utah personnel charged the incorrect NICRA rate, as

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Calculation and Object Code Issues

- Indirect Cost not correctly calculated
 - Including charging of indirect on participant support and capital equipment

Indirect Costs Inappropriately Applied to Capital Equipment: the organization inappropriately recovered \$17,517 of indirect costs applied to transactions that were coded to the incorrect account (i.e., to an account that incurred indirect costs [computer supplies] instead of the correct account that does not incur indirect costs [capital equipment]).
 - Indirect was assessed against the following purchases:
 - \$18,301 for indirect costs charged on the purchase of *software licenses*.
 - \$ 7,466 for indirect costs charged on the purchase of *parts to upgrade existing equipment*.

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Incorrect account/object/expense code assignment

- **Misclassified PSC expenses:** The organization charged \$5,040 to Participant Support Costs and the costs should have be charged Other Expenses.
- **Misclassified Personnel Charges.** The organization charged \$15,875 of payroll expenses incorrectly to three NSF award subprojects based on the costs authorized to that project. For indirect costs purposes, a companion project was set up with the main project for Participant Support Costs (PSC) on the award. However, the University incorrectly charged employees and/or students to the PSC project instead of the main project. No financial impact was recognized, other than the misclassification of the expenses (i.e., costs claimed were allowable and valid; however, expenses were recorded under an incorrect account/budget category within the University financial system of record).
- **Misclassification of consulting services** as a subaward (no cost noncompliance issue)

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Cost Transfers

- **Services.** In September 2016 the organization transferred \$10,477 in consulting expenses to the NSF Award for services provided in June and July 2015. Specifically, the organization hired and paid a consultant to provide liaison and recruiting services from April 2014 through September 2015. *In September 2016 a portion of these expenses were transferred to the NSF based on the total funds that remained on the award at the end of its period of performance. Because the expenses charged to the award were based on the amount of funding available, rather than on the amount of effort the consultant expended on grant-specific work, it appears to have transferred these costs to NSF based on the availability of funds.*
- **Cost Transfers.** Transfer of expenses for charges outside of the award period.
- **Supporting documentation.** Transfers were made with no justification or supporting documentation for the transfer.

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Cost Transfers

- **Travel.** *Travel expenses were charged to the NSF award one to two years after the costs were incurred. The organization did not properly follow its policies for cost transfers over 90 days. Although the expense transfer form was completed, it was not signed by the account authorizer as required, and did not include the proper expense transfer explanation code. Additionally, the memo explaining the lateness of the transfer did not include the corrective actions taken to prevent the lateness from occurring again.* The reason for the transfer was that neither the Department Administrator, nor the Chair of the Department, realized that these specific expenses were supposed to be allocated to this NSF grant, rather than the PI's normal research funds. *The error was not discovered until the Department noted that another fund was overspent and that this grant had very few expenses charged to it.* The NSF award was on its second no-cost extension when the costs were transferred to the award. The second no-cost extension notes that "funds will be used to organize and digitize sets of materials." *The explanatory memo provided as support for the cost transfer noted that the non-Federal award originating account was overspent when the cost transfer was made to move the expenses to the NSF award. There was no funding included in the budget for the travel. The travel was not mentioned in the annual reports submitted to NSF. Some charges, books and film materials on the travel reimbursement were not travel-related. For these items, either adequate documentation was not provided, or they were charged in violation of the organization's policies for charging direct costs to sponsored projects.*

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Cost Transfers

- **Catering Costs.** A cost transfer of \$3,000 for catering charges was transferred from a university designated fund onto the NSF award. The total cost of the catering event was \$7,212; thus *41.59 percent of the cost was transferred to the NSF award. The costs were transferred 54 days before the award expired. When asked about the methodology for allocating the catering costs, the organization explained that the Director believed around 25 percent of the attendees at the event were students. However, for the dinner buffet for 150 people, no documentation was provided to support the allocability of the costs for an estimated 37 attendees to this NSF award. Therefore, due to the lack of appropriate documentation to support the attendance of the students, and the lack of support for the percentage of the costs charged to the award, we question the entire amount moved onto this NSF award.*
- **Salary transfer to meet deficiencies.** The organization unreasonably charged \$101,937 in salary expense to four NSF awards. According to 2 CFR 220 Appendix A, Section C.4.b, *costs cannot be shifted to other grants to meet deficiencies caused by overruns or for other reasons of convenience.*

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Cost Transfer - Salary

- **Salary transfer unreasonable and unallocable.** Payroll charges to the award were not reasonable or allocable for the following reasons:
 - The original effort report submitted on March 12, 2013, indicated that the Principal Investigator (PI) did not have any time allocated to award. The effort report was revised more than a year later on June 3, 2014, to indicate that the PI had worked on the award for the period in question. However, we noted that *the entry to move salary onto the award, dated May 19, 2014, was done prior to the effort report being revised.* Furthermore, the effort report revision was not approved until September 16, 2014. This was 105 days after the revised effort report was submitted and 78 days after the expiration of the award.
 - The PI submitted a no-cost extension (NCE) dated August 15, 2013, to extend the award period to June 30, 2014. The organization stated on the NCE, "...the additional time requested will allow the graduate students involved to complete the project overall and to complete both the research and the reporting of the results via journal and conference publications [sic]." *The NCE does not indicate that funds would be used to support the PI's salary.*
 - The project reports submitted to NSF by the organization indicated that the PI was working on the award with only 1 month of effort. *The project report for the period beginning October 1, 2012, and ending September 30, 2013, was submitted on September 16, 2014, the same date the effort report revision was approved.*

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Cost Transfer - Salary

- ▶ **Salary transfer unreasonable and Unallocable.** The auditors questioned \$28,004 in *salary and wages transferred to one NSF award after the award expiration*. All payroll charges moved onto the award were determined to be unreasonable for the following reasons:
 - ▶ An organizational email dated March 11, 2015, included an exchange identified the available budget on two NSF awards and a request for action to post expenses to remove deficits.
 - ▶ A follow-up email dated April 13, 2015, stated that the organization needed to "finalize this in April or NSF will get funds back. You have approximately 47K direct to spend" This email was dated 72 days after the award expiration date.
 - ▶ In follow-up emails dated April 16, 2015, an individual authorized spending of \$54,683 of direct costs by the end of that week on "as much of the PI's salary "as allowed." These emails were dated 75 days after award expiration.
 - ▶ The transfer of salaries occurred via journal entry on April 17, 2015, after the award expiration date of January 31, 2015. The revised effort report was not approved until June 15, 2015. The transfer was from non-Federal departmental funds to the NSF award.
 - ▶ The break-out of effort per pay period provided did not appear reasonable. For example, the organization determined that 35.8 percent of time was spent on the award, which equates to 14.32 hours worked. These unusual amounts and percentages make it appear the organization was trying to achieve a predetermined dollar amount.
 - ▶ The original award expiration date was January 31, 2014; it was extended to January 31, 2015. The justification for the NCE, requested on December 2, 2013, stated that for "summer 2014, we would like to run the [Research Experience for Undergraduates] site for at least eight students with the remaining funds." The NCE did not indicate funds were to be used for the PI's salary.
 - ▶ The award was a Research Experience for Undergraduates award with the purpose of supporting active research participation by undergraduate students. The approved NSF budget included 1.5 summer months to be spent by the PI on the award. It does not appear reasonable to subsequently add these additional non-summer PI charges to the award.

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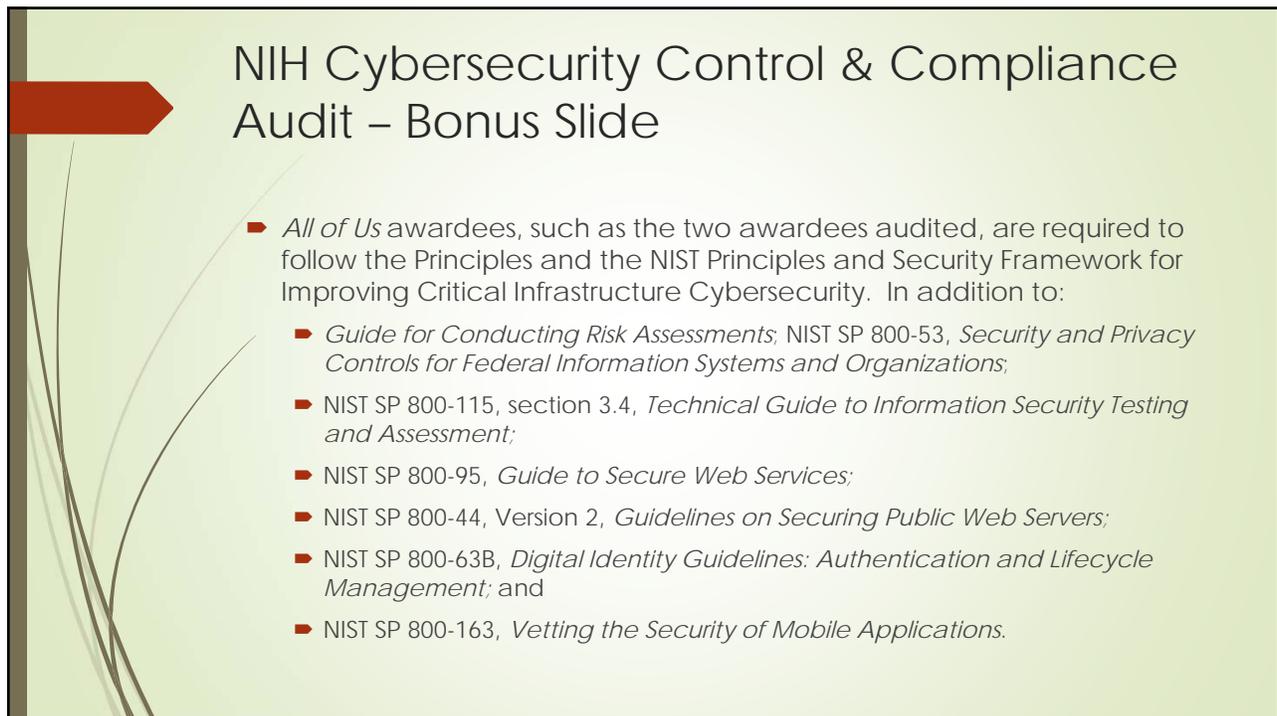
2018-19 OIG Audit Highlights

- ▶ Allocability
 - ▶ Travel
 - ▶ Equipment
 - ▶ Proportional distribution documentation
 - ▶ Service center charges
 - ▶ Relevance to the scope of work
- ▶ Prior approval
 - ▶ Equipment
 - ▶ Change in scope/subawards
- ▶ Subawards
 - ▶ Risk assessment
 - ▶ Authorization to pay
- ▶ Effort Certification
- ▶ Indirect cost
- ▶ Cost Transfers
 - ▶ Documentation
 - ▶ After award close
 - ▶ Overdrawn accounts
- ▶ Purchases near the end of the award
- ▶ Contracted services – Documentation work was performed

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NIH Cybersecurity Control & Compliance Audit – Bonus Slide

- The organizations' did not have adequate controls to protect *All of Us* Research Program participants' sensitive data.
- Through penetration testing vulnerabilities were identified that could have exposed the *All of Us* participants' PII, including their personal health information, and allowed unauthorized users to alter the participants' data.
- These vulnerabilities could have allowed an attacker with limited technical knowledge to exploit and compromise the systems, as most of the vulnerabilities did not require significant technical knowledge to exploit.
- The awardee(s) failed to enable encryption in the S3 buckets.
- In addition, the awardee(s) did not have policies and procedures to address remediating source code vulnerabilities and timely disabling of network access.
- The awardee(s) did not adequately scan their networks.