

Offices of the Inspector General (OIG) Audits 2017-18

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Audits Reviewed

- **National Endowment for the Humanities**
 - Harvard
 - Pacific Symphony
- **Department of Justice**
 - UPenn
 - University of North Dakota
 - University of Virginia
 - State of Pennsylvania Subawards
- **National Science Foundation**
 - University of New Mexico
 - NC State
 - Texas A&M Engineering Experiment Station (TEES)
 - University of Arizona
- **Department of the Interior**
 - University of Rhode Island
- **Appalachian Regional Commission**
 - West Virginia Technological Park
 - Auburn University, Montgomery
- **National Institutes of Health**
 - University of Alabama at Birmingham
 - Duke University

NEH Challenge Grant Audit – Harvard University

Background: Challenge Grant 3:1 matching requirement; anticipated to raise a total of \$3,500,000; the grantee was to invest \$3,125,000 in a permanent endowment, NEH was to contribute \$875,000.

Final Financial Report: \$316,992 (expenditures all considered eligible)

Matching Funds: substantiated by eligible gifts totals \$967,754 ($\$967,754/3 = \$322,585$)

Outcome: The University return advanced, unexpended challenge grant funds in the amount of \$58,008, (\$52,415 Excess Funds Advance + \$5,593 Challenge Match Shortage).

Additional Audit Recommendations: NEH program guidelines requires grantees to utilize an external review committee when assessing fellowship applications. We noted that the University did not always follow this practice.

NEH Grant – Pacific Symphony

- Staff Time/Salary Charges and Activity Reports.** *Pacific Symphony was unable to provide documentation to properly substantiate salary charges to the award. According to OMB Circular A-122, the distribution of salaries and wages to awards must be supported by personnel activity reports. Personnel activity reports must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards.*

Grantee Response. *The grantee asserted the requirement that salary and wage charges be supported by personnel activity reports was too onerous to implement for orchestras, stating administrative staff regularly work on multiple projects in various stages of progression at any given time. Requiring these employees to document their time worked on every project would add too much of a time consuming burden. Nonetheless, the grantee included with their response, wage allocation worksheets of estimated significant time related to the NEH funded program for administrative employees of Pacific Symphony, North Carolina Symphony (Dvorak in America), and Buffalo Philharmonic. According to the grantee, the wage allocation worksheets were created by management of each orchestra with firsthand knowledge of the activities performed by their employees during the reported periods.*

NEH Grant – Pacific Symphony

- **Duplicative Salary Charges.** Salary charges by the VP of Operations appeared to be duplicative charges; duplicative charges totaled \$2,625.
- **No F&A Rate Agreement, overhead charged included unallowable expenses.** Overhead expenses, as computed by the grantee, were considered not allocable. *The expense computed as 3 percent of departmental salaries plus fringe.* The grantee's calculation included the Education, Marketing, and Production departments associated with the Buffalo Philharmonic Orchestra. To be allocable to the award, overhead charges must be computed based on a federally-approved indirect cost rate. Overhead also was not included in the project budget as approved by the NEH.
- **Hotel Charges [Austin Symphony and North Carolina Symphony (Dvorak), (\$519).** Auditors identified hotel charges to the award in excess General Service Administration (GSA) rates and questioned the reasonableness of the hotel charges. The auditors acknowledge that non-Federal entities are not required to adhere to lodging rates established by the GSA, but they used the maximum lodging rates as a benchmark to evaluate the reasonableness of the hotel charges to the NEH award. The auditors concluded that the grantee's response does not substantiate the reasonableness of the hotel charges to the NEH award.

NEH Grant – Pacific Symphony

- **Presenter Payments and Supporting Documentation.** The Pacific Symphony was unable to provide sufficient supporting documentation for charges associated with presenters for an Art Gallery lecture sponsored by the Buffalo Philharmonic Orchestra. *The "invoice" provided in response to our request documentation was a document internally generated by the Buffalo Philharmonic Orchestra reflecting the cost associated with each presenter. No supporting service agreements were provided, nor was any other documentation provided to substantiate services rendered. After the cost was questioned the grantee provided executed service contracts and copies of related employee paystubs.*
- **Lack of Written Service Agreements,** auditors also noted four vendor invoices submitted for services rendered for which *there were no related service agreements or properly executed service agreements, (i.e., signed by the appropriate parties).* Agreements for professional services should be documented in writing. Stating, according to OMB Circular A-122, *an acceptable written agreement for professional services addresses, at a minimal, a description of the service to be provided, an estimate of time required, rate of compensation, and termination provisions.*

NEH Grant – Pacific Symphony

- **Lack of Project Accounting and Financial Reporting Guidance for Subrecipients**, After a grant-supported event, the subrecipients submitted a summary report along with supporting invoices, contracts, and other documents for all NEH-reimbursable expenses. However, *the summary reports were not prepared in a consistent manner by all participants. Some participants included expenses beyond those reimbursed through the NEH grant award and others did not.* Due to the incomplete information received, and a variety of other organizational issues the final *Federal Financial Report (SF-425)* submitted for the grant recounted the **initial cost sharing estimate**. Pacific Symphony does not have complete "actual" cost-share information.
- **Late Report Submissions**, the auditors found that all annual *performance reports were submitted past the respective due dates.* In addition, the *final financial report was submitted four months past the due date* and the final performance report was submitted a month late.

DOJ Audit of UPenn Awards

- **Failure to follow Internal Procurement Policies for student converted to contractor without sole source justification** – Auditors found that UPenn failed to comply with its internal policies for when it converted a UPenn student employee to an independent contractor after finishing research work as a student employee. Specifically, UPenn failed to prepare a sole source justification.
- **Failure to comply with policy requiring individual administering awards be aware of the award terms** – Auditors found that officials required by UPenn's internal policies to be aware of applicable terms and conditions of the grants were unaware of relevant OJP guidelines, causing instances in which UPenn charged unapproved costs to the grants without prior approval.
- **Personnel charges for individuals not included in the grant budget.** UPenn charged \$20,037 in unallowable personnel expenses. Specifically, these payments were made to students that were not included in the grant budget. A UPenn official stated that he thought OJP approval was not necessary for the expenditures as it amounted to a 1 percent change to the budget and did not exceed 10 percent of the grant award amount. However, OJP requires grantees to obtain prior approval before using grant funding for personnel positions not previously approved in a grant budget.

DOJ Audit of UPenn Awards

- **Consultant Payments.** UPenn paid charges to a consultant that were not approved within the grant budget. Specifically, *UPenn paid \$33,250 to the consultant for services that were not approved by OJP, and we also found that the procurement of the consultant services was also not in compliance with UPenn's internal policies. UPenn stated the consultant's grant-related work was designated by UPenn for one of the personnel positions in the budget within its grant application, and that the Principal Investigator was unaware of OJP's requirement to obtain prior approval when using another organization not identified in the original approved budget.*
- **Contracted Services.** UPenn negotiated a sole source contract with a company to provide location services to support its mapping project for a total of \$34,054. OJP determined that the use of a sole source contract was justified and adequately documented, the expenditure was not approved in the related grant budget. *The Principal Investigator for this grant told us that he mistakenly thought that since the change in the budget amount was less than 10 percent of the total grant budget, no prior approval was needed, and he was unaware that OJP requires grant recipients to initiate a GAN if the modification affects a cost category not included in the original budget.*

DOJ Audit of UPenn Awards

- **Foreign travel without sponsor approval.** UPenn incurred travel to attend an overseas academic conference totaling \$3,411 that was not approved by OJP. According to the OJP Financial Guide, *all foreign travel must be specifically approved in advance by OJP.* We determined that UPenn did not request approval prior to travel because the Principal Investigator who was required by UPenn policy to ensure compliance with grant conditions, was not familiar with this criteria.
- **Consultant fee and travel expense.** *UPenn charged \$141 as a travel expenditure for a consultant whose travel expense was already included as part of the consultant fee in the budget OJP approved.*

DOJ Audit of the University of North Dakota

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Travel in excess of the conference period, per diem and provided meals, and clerical errors. Auditors identified four student travel reimbursements related to attendance at a conference. The OJP Financial Guide states that travel expenses are allowable for employees who are in travel status on official business related to the award. The UND policy states that students may be reimbursed for travel expenses incurred while on UND business. Although this *conference ended the evening of April 12, these students did not return until April 15*. UND officials could not provide documentation on why the students were not scheduled to return the day after the conference on April 13. Also, the OJP Financial Guide states that all conference attendees must ensure that any provided meal is deducted from their claimed meals and incidental expenses (per diem). The four students claimed full days per diem where conference meals were provided. Auditors also identified travel reimbursements that were erroneously allocated to the award due to a clerical error.
- Unapproved overtime charged inconsistent with award terms.** The OJP Financial Guide states that *any overtime pay must be authorized in advance by written approval*. Auditors did not identify any such an approval, and the award's budget narrative indicated that overtime was unallowable on the project. Moreover, UND officials and the OJP Grant Manager could not provide documentation for the approval of overtime charged to the award.

DOJ/NIJ Audit of UVA

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Effort and Adjusting Entries. For 2 of the 49 entries tested, *ledger records showed an amount higher than the amounts paid to the faculty for the grant. However, these entries were the result of adjusting entries recorded in the following month, with those corresponding adjusting entries recorded separately in the general ledger*. Thus, the review found that the UVA generally recorded labor costs that complied with the approved budget for each grant.
- Consultant payments appeared to be in excess of award terms.** Award terms limited consultant payments to a \$650-daily threshold. Auditors found that there were recorded consultant transactions for as much as \$1,000 per day, these transactions included reimbursements for mileage, lodging, and per diem costs. As a result, we found that consultant payments aligned with the \$650 per-day requirement.
- Unsupported by Documentation.** AVP could not provide support for four expenditures, totaling \$1,173.
- Unallowable Charges.** Unallowable charge included credit card fees, refreshments, and training for fundraising, these charges required prior approval from OJP.

DOJ/OJP Audit of State of Pennsylvania Awards 3 Subawards to Anti-Violence Partnership of Philadelphia (AVP)

- **Effort Charged Based on Budget.** Auditors identified *one employee payment that was charged to the award based on budgeted, rather than actual hours worked. Findings included a pay period for one individual where 24 hours was charged rather than the actual 12 hours reported on the time sheet.* We discussed the issue with AVP's Grants Director, who stated the payment was based on the employee's approved budgeted hours rather than the actual hours reported on the employee's timesheet.
- **Effort Reporting Compliance with Organizational Policy– Employee and Supervisor Signature.** According to State Applicant's Manual, timesheets must be signed by the employee, as well as a supervisor with first-hand knowledge of the activities performed by the employee. During our review of employee timesheets, we determined that AVP's former Executive Director was the only person signing off on her own timesheets.
- **Consultant Pay Rates in excess for award terms.** The State Applicant's Manual and the DOJ Grants Financial Guide states the maximum rate for consultants is \$650 per day, or \$81.25 an hour. Prior approval from the granting agency is required for consultant compensation that exceeds those rates. Two consultants were paid in excess of the maximum allowable rate.

DOJ/OJP Audit of State of Pennsylvania Awards 3 Subawards to Anti-Violence Partnership of Philadelphia (AVP)

- **Grant Financial Management Weakness.** AVP charged \$1,868,334 to the grant but, only received reimbursement for \$1,753,501. As a result, *the total amounts allocated by AVP to the subawards, exceeded actual reimbursements by \$114,833. AVP stated they used the accounting records to request reimbursement. However, in order to stay within the approved budget, they did not seek reimbursement for all expenditures allocated to the grant account and did not reconcile the accounting records to reflect the actual reimbursement request.*
- **Program Performance and Accomplishment Weaknesses.** The audit concluded AVP provided services to victims and co-victims. AVP did not distinguish grant funded versus non-grant funded victims; therefore, inaccurate numbers of victims and services funded through AVP may have been provided. All individuals for whom AVP provided services were included in reports; *AVP was not required by the state to differentiate between grant-funded and non-grant funded services provided.* According to AVP, all of the services it provided are considered grant eligible services, but not all were paid for with grant funding. Contributions to AVP also funded ineligible victim services.

NSF OIG Audit of the University of New Mexico

- **Equipment near the end of the award.** Auditors found UNM made *equipment purchases near the end of award periods for items that did not appear reasonable or necessary* to the awards charged. Auditors identified four transactions, charged to two awards, where the purchase of instruments near the end of the award did not appear to benefit the NSF award.
- **Participant Support Costs used for employee travel.** Auditors questioned the reallocation of participant support for travel costs for UNM employees to attend an NSF workshop. In the NSF approved budget, participant support funds were requested to support the participation by 13 individuals in various workshops, not travel for UNM employees. Under NSF's Grant Proposal Guide, costs for employees to participate in NSF-sponsored conferences are not "participant support costs" and "funds provided for participant support may not be used for other categories of expense without specific prior NSF written approval. **Per UNM, verbal confirmation was received**, however, NSF did not provide specific prior written approval for the rebudgeting of participant support funds as required per NSF's Grant Proposal Guide.

NSF OIG Audit of the University of New Mexico

- **Advertising Costs.** Auditors questioned *advertising costs near the award expiration. The late purchase date leads them to believe that the purchases were not necessary, reasonable, or prudent for the administration of the award. The invoice was dated, the same date as the award expiration.* The benefit of the advertising was not realized until after the award expired. UNM concurred and took steps to remove the costs from the award.
- **Excessive Meal Cost.** UNM charged \$1,829 for dinner for 17 guests at the Advisory Board Meeting held in Washington, DC. The auditors found \$1,217 of the meal to be an excessive meal expenditure. Specifically, the \$1,829 *(\$107.59 average cost per attendee) was spent to provide dinner for 17 attendees in Washington, DC. The GSA per diem rate for meals and incidental expenses (M&IE), in Washington, DC, at the time was \$71.* Per the GSA breakdown of the \$71, the meal allowance for dinner was \$36.00. As a result, we find a total of \$1,217 (\$71.59 for each of the 17 attendees) to be excessive and unreasonable.

NSF OIG Audit of the University of New Mexico

- **Unsupported Cost Transfer.** Auditors identified \$740 for a cost transfer charged to one award that was not adequately supported and, therefore, not in compliance with Federal regulations. The Auditors were unable to obtain appropriate evidence to support a journal entry posted by UNM. *The cost transfer moved the charges for a student onto the NSF award; however, we were unable to substantiate the student's participation on the project.* UNM agreed that there was inadequate documentation to support the transfer and will return the funds to NSF.
- **Bar Set-Up Fee.** Auditors question \$81 for a bar set-up fee. *Although the alcohol was paid for by participants at the cash bar, and not charged to the NSF award, the bartender set-up fee would not have been necessary if alcohol had not been made available at the event.* Costs of alcoholic beverages are unallowable; therefore, it is not reasonable to charge the fee related to serving the alcohol. UNM agreed that this charge was unallowable and will return the funds to NSF.

NSF OIG Audit of the University of New Mexico

- **Unreasonable travel failure to segregate costs associated with personal days.** Auditors also questioned *a trip including business and personal days. Personal days represent 87.5 percent of the travel, per UNM travel policy, "business travelers may combine business travel with personal travels, as long as doing so does not change the primary purpose of the travel from business to personal. If the primary purpose is determined to be personal, under IRS guidelines, certain costs may not be reimbursable."* Therefore, the auditors conclude that it was not reasonable to charge the entire cost of the flight to the NSF award.
- **Unreasonable travel, more than 50% of the travel related to the development of a new proposal.** Another \$447 in *travel costs was questioned as 60 percent of PI travel related to a proposal discussion.* Per review of supporting documentation, the traveler went to discuss proposals for new award collaborations and to discuss electronics needs at UNM for research and development. These travel expenses for discussion on future proposals unrelated to this award are not allocable to the award. Per the Principal Investigator response, the electronics discussions took place about 40 percent of the time, with the remainder on the proposal.

NSF Audit of Woods Hole Oceanographic Institute Major and Overhaul Stabilization Account (MOSA)

- **Expenditure and interest transactions.** *WHOI maintains all its funds, both Federal and private, in a single bank account and cannot match the source of funds to specific expenditures when making payments.* WHOI also could not explain how or where the MOSA deficiencies were spent. The NSF confirmed that *WHOI is required to maintain its MOSA reserves in an interest-bearing bank account and add the interest earned to the MOSA balance.*
- **Financial Management Expectation of the Award.** NSF requires separate daily rates for MOSA and for operations and to update MOSA reporting requirements to include:
 - a cumulative reconciled balance of each MOSA account per the financial records (beginning balance + MOSA funding – actual costs = ending balance);
 - copies of pre-shipyard approvals to spend MOSA;
 - the periodic shipyard reports;
 - report of the past year's MOSA expenditures (actual costs) that are tied to individual approvals;
 - the MOSA cycle plan included in the annual reports; and
 - the final report. Our audit scope includes 12 NSF awards with total disbursements of \$59.2 million.
- *For six awards, involving \$56.9 million of NSF funding, WHOI could not provide documentation that matched WHOI expenditures with disbursements on specific awards, as required by OMB guidance.*

NSF Audit of NC State

- **Cost Transfer / No Documentation Available.** NCSU transferred a \$15,000 expense from a departmental holding account to an NSF Award, *NCSU provided a copy of the journal entry transferring the \$15,000 expense to the NSF award but did not provide any documentation to support the actual expenditures.*
- **Insufficient Documentation.** An NCSU employee performing work on an NSF Award flew to to attend a grant related conference. The employee charged the award \$1,309 in lodging expenses related to the conference. *NCSU provided a Priceline document indicating that the employee paid for an airline ticket and a five-night hotel stay; however, the documentation provided to support the cost of the hotel did not support the lodging dates or the location of the hotel stay.*
- **Unsupported Payroll Expense.** NCSU transferred \$400 in salary costs from a payroll suspense account to an NSF Award, *NCSU did not provide documentation to support the transferred payroll expense.*

NSF Audit of NC State

- **Unallowable Pre-Award Salary Expense-Drawn Concurrent with an IPA Appointment.** NCSU charged \$11,824 in unallowable pre-award salary expenses to an NSF award; *NSF awarded NCSU this grant to provide for the PI's salary while the PI was working for NSF under an Intergovernmental Personnel Act (IPA) assignment for the specified period. NCSU should not have charged the award for salary earned before the effective date of the assignment.*
- **Unallowable Business-Class Airfare.** NCSU charged two NSF awards a total of \$8,879 of unallowable *business-class airfare* expenses, as follows: the PI purchased round-trip business-class airline tickets to travel to and from to conduct award-related activities. Another PI/award purchased an economy-class airline ticket to attend two grant-related conferences; however, the PI purchased a business-class ticket for the return flight. As the result of our audit, NCSU initiated a transfer to remove the upgraded airfare expense from this award.
- **Unallocable Publication Expense.** NCSU allocated publication costs to a specific NSF award, however, the *published report stated that the research was related to a different NSF Award*; NCSU the charge a mistake and initiated a transfer to remove the expense from the award.

NSF Audit of NC State

- **Travel not related to award – dates extended beyond conference.** NCSU charged travel expenses to an award for the PI to present at a conference; *the conference was only two days; however, the PI incurred travel expenses for eight days.* These expenses included flying from where the PI was performing non-grant-related research, to the PI's home, driving to and from the PI's home to the conference and flying back. Only two days of the PI's eight-day trip related to the NSF conference; as such, we determined that the \$1,710 associated with the PI's travel to and from was not incurred for the purposes of this award. The questioned cost amount includes \$47 associated with the PI's taxi ride to the airport and \$1,663 associated with the PI's roundtrip airfare.
- **Inappropriately allocated equipment charges based on proportional distribution and usage.** NCSU charged an NSF award for a \$7,817 expense related to the purchase of incubator. NCSU used this incubator to perform research related both to this NSF award and to other sponsored projects. *When we inquired as to why NCSU charged the full cost of the incubator to the award when the equipment benefitted multiple projects, the PI stated that one-seventh of the incubator's cost, or approximately \$1,100, benefitted other projects. The PI initiated a transfer to remove the \$1,100 from NSF award.*

NSF Audit of NC State

- **Overnight Travel Not Appropriately Approved.** NCSU's General Travel Requirements state that **employees must obtain written authorization prior to traveling overnight**; however, we identified four instances in which NCSU personnel traveled overnight without first receiving written authorization. We determined that the travel expenses incurred for these trips were appropriate; however, **NCSU failed to properly enforce its travel policy**. Without proper enforcement, NCSU personnel could improperly charge unallowable expenses to awards.

NSF Audit of TEXAS A&M ENGINEERING EXPERIMENT STATION

- **PI Travel Expenses Not Allocable to the Award:** TEES charged \$5,976 to NSF allocable to this award (as summarized below) and therefore questioned all costs associated with this trip. Specifically:
 - **Graduate Student recruitment trips.** Per the PI, the *trips were to visit the universities to discuss potential collaborations with Texas A&M University an additional justification was provided to recruit graduates student*. Neither PI POCs nor the universities were identified as collaborators on the award, grant-related travel to was not reported in the annual reports, and a meeting about future collaborations does not appear to be directly allocable to this award. On the trip which included graduate student recruitment, it was noted that *no graduate students were identified as award participants*.
 - **Conference Travel** - Per the PI, the purpose of this trip was to present a paper at a conference and to talk to colleagues about new ideas for joint proposals. *Travel to attend the conference was not identified as grant-related travel, the paper the PI presented at the conference was not identified as a grant-related paper.*

NSF Audit of TEXAS A&M ENGINEERING EXPERIMENT STATION

- **Student Airfare Expense Not Allocable.** TEES charged airfare expenses for a student to attend a conference. The student was not identified as an award participant in annual reports and did not allocate any effort to the award, therefore airfare expenses for this student should not have been charged to this award
- **Tuition Expense Processing Error:** TEES inappropriately charged Fall tuition expenses to an NSF award, which did not become effective until the Spring semester, due to an error that in processing Fall tuition.
- **Misallocated Graduate Student Tuition:** In April, TEES charged 100% of a graduate student's Spring tuition to an NSF Award; the student certified spending 20% effort on the award during the Spring, therefore only 20% of the student's tuition, should have been allocated to this NSF award.
- **Transposition Error.** TEES inappropriately charged \$9,966 to NSF Award due to a transposition error made when the expense was posted to the general ledger. As this expense was charged to this award as the result of an error, TEES has agreed to reimburse NSF for the charges.

NSF Audit of TEXAS A&M ENGINEERING EXPERIMENT STATION

- **PI Travel Not Allocable due to Exception to Fly America Act:** the PI of NSF Award traveled to discuss topics of future collaborative proposal and charged the travel to an NSF award, the PI claims the travel benefitted the award, but did not report international travel nor did they identify the collaborator within the annual reports. Furthermore, we noted the PI purchased the airline ticket from a non-U.S. flag carrier. The Fly America Act and TEES' Policy require travelers booking airfare with funds provided by the Federal government to use a U.S. flag carrier regardless of cost or convenience, with limited.
- **Tuition expenses not prorated consistent with award period.** TEES charged semester based tuition to an NSF Award; however, the award expired before the semester conclusion. Since a portion of the expenses related to post-expiration the auditors questioned \$330 of the \$2,188 in tuition costs.

NSF Audit of the University of Arizona

- Subaward costs without approval.** Auditors noted a transaction totaling \$39,770, that was charged to an award for costs that had been classified as a subaward but was not budgeted within the original and/or revised budgets, nor was any prior approval requested from NSF. According to UA, the subaward was made to another university so that the PI, who transferred to that university, could continue the work as originally described in the award proposal. UA stated the subaward was used to continue the work originally described in the proposal and there was a subsequent subaward approved by NSF for these activities. UA contended the costs were appropriate. The subsequent subaward was related to undergraduate researchers rather than the transfer of the PI. NSF requires prior approval for subawards as well as changes/transfers of PIs, even though the subaward was furthering the goals of the agreement. The auditors position regarding this finding remains unchanged.

NSF Audit of the University of Arizona

- Compassion leave unallowable under institutional policy.** Auditors noted compassionate leave in the amount of \$12,196, which includes fringe of \$1,856 and indirect costs of \$4,146, for an employee that was identified as being charged to the grant; however, compassionate leave is not allowable based upon UA's compassionate transfer of leave policy, which states "Grants and contracts may not be charged for compassionate leave without approval of the sponsoring agency." As no approval was documented, this charge is unallowable based upon the University's policy. Internal controls do not appear to be in place to identify when compassionate leave is being identified as a charge to a grant so approval can be requested in accordance with policy.
- Travel unrelated to project charged.** Auditors identified one transaction for travel expenses in the amount of \$3,529, which included indirect costs of \$1,200, that were charged to a specified grant, but the travel appeared to benefit a different grant on which the PI was working,

NSF Audit of the University of Arizona

- **Travel unrelated to project charged.** The PI's justification was the travel was for a meeting, which advanced the goal of the project. In reviewing the original travel documentation, auditors noted the Fiscal Officer had written the trip was for giving an invited talk on for extremely large telescope to talk about AO System. The PI had noted the expense was for "giving invited talk on Future AO systems at the grant proposals and summaries, we noted that grant number associated with the talk. Based upon the review the talk specifically related to the AO System and therefore, appears to be directly related to a different grant and not related to the grant the expenses were coded to when reviewing the Fiscal Officer's written documentation. In addition, the related payroll for the PI was charged to the other grant, which further supports the travel was charged to the incorrect grant.
- **Pre-Award Costs in Excess of 90 Days.** A pre-award charge was made outside of the NSF specified time period for pre-award charges, UA informed the auditors that the grant had an anticipated start date of March 1, and, therefore, they began work and incurred expenditures in January; however, due to internal administrative reasons the grant did not commence until May, and the cost was not identified as being outside the pre-award period.

NSF Audit of the University of Arizona

- **Unallowable Cost – Gym Fees/Entertainment.** Auditors identified one transaction for \$550, in which UA had charged gym access fees to a grant. Entertainment costs are not typically an allowable expense based upon OMB Circular A-21, Section J. 17. In addition, membership in organizations are typically not allowable based upon OMB Circular A-21, Section J. 33. It is not clear how the expenditure would have benefitted the Federal award or that it was ordinary and necessary for the operation of the award. It appears as though staff responsible for approving the expenditures were not aware that these types of expenditures are typically unallowable based upon the CFRs.

DOI Audit of the University of Rhode Island

- **Research Supplies v. Training and Expense Code Attribution.** The University claimed research supply costs for a training course titled “Charting a New Course for Wetland Management: Climate Adaptation or Climate Mitigation.” Training courses are allowed under this agreement, but auditors question the cost of the course being charged to the research supplies account and consider it unsupported.
- **Data Center charges, unsupported costs, and failure to bill monthly per internal policy.** For its Environmental Data Center (EDC) cost center, the University claimed costs made in 10 charges and the auditors classified the entire amount as unsupported because the University was unable to provide adequate documentation. Auditors could not determine how the 10 charges to the task agreement were derived using the University’s stated methodology. Auditors also noted that the University has not charged EDC costs to both task agreements on a monthly basis as required by its internal policy. The EDC charges do not appear to follow any methodology for charge amounts or the timing of the charges. According to the University’s Service Centers Policy, the “billing should be done at least on a monthly basis. At the end of the fiscal year, progress billings should be done to actually reflect revenue generated during the fiscal year.”

DOI Audit of the University of Rhode Island

- **Cost Center Charges - Computer Supplies and Software: Failure to net resale revenue.** The University claimed computer supplies and software charges for an Apple MacBook Pro purchased from the University bookstore. A number of other laptops, data backups, servers, and other computer supplies were purchased through the EDC where expenses are subsequently passed on to its users. We classify the amount as unsupported.
- **Effort-Reporting, payroll charges, and variance tolerance not supported by institutional policy.** The University’s effort-reporting records had variances that were caused by a difference between the level of effort certified by the University and the actual level of effort performed by employees. The University’s Effort Certification Manual both state that changes should be promptly adjusted if activity records indicate significant differences. They also state that the distribution of activity should represent a reasonable estimate of the work performed by the employee during the period. *The University’s manual, however, does not establish what the University should consider a reasonable variance, meaning a variance that requires no adjustment. The manual also does not establish what would be a significant variance, which would require an adjustment. The auditors advised the University to establish clear definitions for reasonable and significant variances in its Effort Certification.*

DOI Audit of the University of Rhode Island

- **Educational/Recreational Supplies/Expense – Unallowable Costs.** The University claimed educational/recreational supplies/expense costs, resulting from a charge of \$50 for a toll pass from the Rhode Island Turnpike and Bridge Authority. We classify the amount as unsupported because the University did not provide an explanation for the purchase or why this toll pass was authorized.
- **Research Supplies – Unsupported Costs.** The University claimed costs for research supplies based on two \$20 JP Morgan purchase card transactions with no supporting backup, the cost was classified as unsupported.
- **Performance Measures for the Task Agreement Deliverables.** Auditors found that project deliverables for task agreements were not submitted according to the terms of the agreements. The content of the deliverables and their due dates were altered too frequently to be considered established milestones for performance.

Appalachian Regional Commission Audit Auburn University, Montgomery (AUM)

Indirect costs recovery in excess of approved negotiated rate (10% TDC v 30% S&W) of \$10,855 reimbursed by ARC were questioned because the federally approved indirect rate plan was not used to calculate the costs.

- AUM charged \$26,998 as indirect, based on an unsubstantiated rate which provided more funds to the grantee than by using the grantees Federal rate. Using the correct basis for determining the costs would have resulted in \$16,143 of allowable costs. AUM charged the grant, and was reimbursed by ARC, for \$26,998 of indirect costs. As a result, \$10,855 of indirect costs reimbursed to AUM needed to be refunded to ARC.

AUM had an approved indirect cost plan and rate from HHS to calculate indirect by applying a rate of 30% (for off campus programs such as the grant project) to a cost base of total direct salaries (excluding fringe costs). AUM calculated indirect costs for the proposed grant budget using a 10% rate and applying it to estimated total direct costs. This resulted in estimated indirect costs of \$27,000 in the grant budget and \$26,998 being billed, consistent 10% TDC.

Appalachian Regional Commission Audit Auburn University, Montgomery AL

Sole source contract without justification. Contract costs of \$185,000 paid for professional services and reimbursed by ARC were questioned as reasonable because there was **inadequate supporting documentation to justify a sole source award or a basis for lack of competition.** The procurement used a Personal Services Agreement which under AUM procurement policies did not require competitive bidding.

- AUM awarded the contract for professional services without competition because AUM considered the type of services involved to be exempt from competitive bidding requirement under its procurement policies and from requirements for sole source justification. One reason given by AUM staff for not competing the contract was that vendor had previously been used for similar work.
- *The award should have been viewed as a professional services contract subject to competitive procedures, or there should have been written documentation to support the decision to award the contract on a sole source basis.* Having neither competitive bids to examine, nor a sole source justification to show the basis for the award and reasonableness of the price agreed to, the contract costs were

Appalachian Regional Commission ARC Audit – West Virginia Technological Park

- **Charges for indirect without a negotiated rate agreement.** The grantee did not have an approved indirect cost rate and charged the grant \$50,000 in indirect costs without a negotiated rate.
 - The approved budget for the ARC grant contained a line item for indirect costs in the amount of \$275,992 and *listed an indirect cost rate of 18.5%.* *There was no documentation available to support the basis of the 18.5% rate.* Lacking an approved rate from a cognizant agency as required in 2 CFR 200, the costs were inadequately supported under the federal cost principles.
- **Contract payments in excess of the contracted amount resulted in questioned of \$13,612.50.** The questioned costs included \$7,500 in travel costs and \$6,112.50 in contract costs, totaling \$13,612.50, paid to a consultant that exceeded the contractual amount; it appeared there was an error in the contract, and the consultant was paid for one more payment than had been intended by the initial budget.

National Institutes of Health OIG University of Alabama at Birmingham

- **Chilled water and netting of revenue generation.** UAB included \$8.6 million in chilled water costs that were not in accordance with Federal requirements that costs must be reduced by applicable credits. Specifically, UAB officials did not reduce chilled water cost
- UAB acknowledged that they did not net \$8.6 million in chilled water revenues that it received from various users against costs included in its FY 2010 F&A cost proposal. As a result, UAB's negotiated F&A rate was inflated by 1 percent per year for FYs 2012 through 2015, and it potentially received as much as \$5.9 million in overpayments from the Federal Government.
- UAB acknowledged that it overstated chilled water costs in its proposal and commented that it had taken steps to ensure that appropriate officials review future proposals for compliance prior to submission. However, UAB contended that it included \$16.5 million in chilled water costs in the proposal, that it overstated chilled water costs by \$3.6 million, and that its costing model identified overcharges made to Federal awards of \$1 million. After reviewing UAB's comments and additional information, we agreed that UAB included \$16.5 million in chilled water costs, composed of \$7.9 million incurred costs to produce chilled water and \$8.6 million in chilled water costs billed to user accounts, in its proposal. After analysis of the additional information, the auditors maintained that UAB overstated chilled water costs by \$8.6 million in costs not reduced by revenues (applicable credits) and that it received as much as \$5.9 million in overpayments.

Duke University Misconduct and Award Restrictions

- The National Institutes of Health issued additional regulations for researchers at Duke after *high-profile research misconduct cases* have surfaced at the University in recent years. Effective April 1, 2018 **Duke applications for NIH \$250,000 per year are required to include a detailed budget of their proposed costs. Researchers must also receive prior NIH approval when extending grant budget periods and carrying over unused funds into the next budget period.¹**
- Duke officials stated, "While we cannot discuss the details of the ongoing issues with Duke University, we often enhance our degree of grant oversight when concerns arise about an awardee's ability to effectively and properly manage NIH research funds," *Duke officials expect to work with NIH to address and correct any concerns.*

¹ Duke Chronicle, 3/28/18

