



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

2415 Eisenhower Avenue
Alexandria, VA 22314
(703) 292-8244

May 21, 2025

David Paul (rdpaul@email.unc.edu)
Assistant Vice Chancellor for Research
University of North Carolina Chapel Hill
Office of Sponsored Research
104 Airport Drive, Suite 2200
Chapel Hill, NC 27599-1350

Reference: OIG Report No. 20-1-004

Dear David Paul:

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (NSF OIG) audit report on costs incurred under NSF awards by University of North Carolina at Chapel Hill (UNC) dated July 13, 2020.

The audit report identified a total of \$744,671 in questioned costs claimed on NSF awards and recommended that UNC strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined that \$613,823 will be disallowed. The following table summarizes the resolution of each finding by recommendation:

Recs	Audit Report Description	Questioned	Disallowed	Allowed	Final Action Complete
1.1	Inadequately Supported Expenses	\$136,024	\$36,336	\$99,688	No
1.2	Inadequately Supported Expenses	\$39,389	\$39,389	\$0	No
1.3	Strengthen Procedures Over Retention of Documentation	\$0	\$0	\$0	Yes
1.4	Strengthen Procedures Over Approval of Travel Expense Reports	\$0	\$0	\$0	Yes
1.5	Strengthen Procedures Over Approval of Vendor Invoices	\$0	\$0	\$0	Yes
1.6	Strengthen Procedures Over Internal Service Center Billing	\$0	\$0	\$0	Yes
1.7	Strengthen Procedures Over Reconciliation and Tracking of Gift Cards	\$0	\$0	\$0	Yes
2.1	NSF Approval Not Obtained Before Transferring Award Research to Other Organizations	\$164,313	\$164,313	\$0	No
2.2	Strengthen Controls Over Transferring Federally Funded Research	\$0	\$0	\$0	Yes

3.1	Unsupported ACM\$ Draws	\$103,250	\$103,250	\$0	No
3.2	Strengthen Controls Over ACM\$ Reconciliation Process	\$0	\$0	\$0	Yes
4.1	Inappropriately Allocated Expenses	\$26,505	\$17,823	\$8,682	No
4.2	Inappropriately Allocated Expenses	\$61,496	\$61,496	\$0	No
4.3	Strengthen Procedures Over Approval of Direct Costs Near Award's Expiration	\$0	\$0	\$0	Yes
4.4	Strengthen Procedures Over Approval of Travel Expense Reports	\$0	\$0	\$0	Yes
4.5	Strengthen Procedures Over Allocation of Equipment Expenses	\$0	\$0	\$0	Yes
4.6	Strengthen Procedures Over Allocation of Publication Expenses	\$0	\$0	\$0	Yes
5.1	Unallowable Expenses	\$11,542	\$11,542	\$0	No
5.2	Unallowable Expenses	\$75,065	\$75,065	\$0	No
5.3	Strengthen Procedures Over Review of Pre-award Travel Expenses	\$0	\$0	\$0	Yes
5.4	Update Meal and Lodging Per Diem Policies with Federal Regulations	\$0	\$0	\$0	Yes
5.5	Strengthen Procedures Over PSC funding	\$0	\$0	\$0	Yes
5.6	Strengthen Procedures Over Approval of Airfare Expenses	\$0	\$0	\$0	Yes
5.7	Strengthen Processes Over Approval of Other Direct Costs	\$0	\$0	\$0	Yes
6.1	Indirect Costs Not Appropriately Applied	\$65,314	\$65,314	\$0	No
6.2	Strengthen Procedures Over Applying Indirect Costs	\$0	\$0	\$0	Yes
7.1	Goods and Services Not Appropriately Procured	\$30,435	\$7,957	\$22,478	No
7.2	Goods and Services Not Appropriately Procured	\$5,143	\$5,143	\$0	No
7.3	Strengthen Procedures Over Competitive Bidding	\$0	\$0	\$0	Yes
8.1	Unallowable Costs Caused by Accounting Issues	\$17,136	\$17,136	\$0	No
8.2	Strengthen Procedures Related to NSF Awards	\$0	\$0	\$0	Yes
9.1	Non-Compliance with NSF Award-Specific Terms and Conditions	\$9,059	\$9,059	\$0	No
9.2	Update Practices for Award Set-up on Specific Terms and Conditions	\$0	\$0	\$0	Yes
10.1	Strengthen Procedures Over the Processing and Certification of Effort	\$0	\$0	\$0	Yes
11.1	Update Practices for Award Set-up on Application of Indirect Costs Rates	\$0	\$0	\$0	Yes
12.1	Strengthen Procedures Over Agreements and Payments to Contractors and Consultants	\$0	\$0	\$0	Yes

12.2	Strengthen Procedures Over Documentation Supporting the Allowability of Cost Transfers	\$0	\$0	\$0	Yes
12.3	Strengthen Procedures on Subaward Monitoring	\$0	\$0	\$0	Yes
12.4	Strengthen Procedures Over Approval of Travel Expense Reports	\$0	\$0	\$0	Yes
12.5	Issue Guidance Related to Competitive Bidding and Sole-Source Requirements	\$0	\$0	\$0	Yes
12.6	Strengthen Procedures Over Internal Service Center Billing Process	\$0	\$0	\$0	Yes
12.7	Training to Personnel Regarding Capitalization of Equipment	\$0	\$0	\$0	Yes
12.8	Strengthen Procedures Over Payment of Hourly Employees	\$0	\$0	\$0	Yes
Summary of Total Questioned Costs		\$744,671	\$613,823	\$130,848	--

To resolve the audit findings and questioned costs, NSF conducted detailed reviews of applicable Federal and NSF requirements, proposal and award information maintained by the Agency, and documentation provided by UNC. UNC is required to provide documentation to complete final action under Recs 1.1, 1.2, 2.1, 3.1, 4.1, 4.2, 5.1, 5.2, 6.1, 7.1, 7.2, 8.1, and 9.1 as summarized in the attachment to this email. Based on the above, the total disallowed amount is \$613,823.

Upon verification that repayment of the remaining \$613,823 of disallowed costs has been completed, OIG Audit Report 20-1-004 will be fully closed out by NSF. UNC has provided evidence of \$0 in repayment. **Repayment of \$613,823 must be made via www.pay.gov.** Please reference OIG Audit Report No. 20-1-004 in the comments section as well as on all documentation. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management (DFM). **Repayment of disallowed costs must be received no later than 90 days from the date of this letter. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.**

Please be aware that UNC's right to appeal cost disallowances by NSF is outlined in Chapter XII.B of the NSF Proposal and Award Policies and Procedures Guide (PAPPG), which may be found online at: https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg. **An appeal must be filed within 30 days of the date of this letter.**

The University's timely responses and cooperation with the NSF audit resolution process are greatly appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please contact me at (703) 292-4827 or rray@nsf.gov.

Sincerely,

Branch Chief
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support
(703) 292-4827