



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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December 13, 2024

General (Ret.) Mark A. Welsh III, President
president@tamu.edu
 1246 TAMU
 Texas A&M University
 College Station, TX 77843-1246

Reference: OIG Report No. 21-1-002

Dear President Welsh,

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 Texas A&M University (TAMU) during the period October 1, 2016 to September 30, 2019.

The audit report identified a total of \$137,558 in questioned costs claimed on NSF awards and recommended that TAMU strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined to sustain \$125,436 of the questioned costs identified; however, based on alternative documentation reviewed and accepted during resolution, NSF will require repayment of only \$95,489. The table below summarizes the sustained, allowed, and disallowed costs by recommendation:

Rec	Description	Questioned	Sustained	Allowed	Disallowed	Final Action Complete
1.1	Unallowable Expenses	\$33,575	\$33,575	\$2,593	\$30,982	No
1.2	Unallowable Expenses	\$16,864	\$16,864	\$0	\$16,864	No
1.3	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
1.4	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
1.5	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
1.6	Unallowable Expenses	\$0	\$0	\$0	\$0	No
1.7	Unallowable Expenses	\$0	\$0	\$0	\$0	No
2.1	Inadequately Supported Expenses	\$49,218	\$49,218	\$25,310	\$23,908	No
2.2	Inadequately Supported Expenses	\$1,191	\$1,191	\$0	\$1,191	No
2.3	Inadequately Supported Expenses	\$0	\$0	\$0	\$0	Yes
2.4	Inadequately Supported Expenses	\$0	\$0	\$0	\$0	Yes
2.5	Inadequately Supported Expenses	\$0	\$0	\$0	\$0	No
3.1	Inappropriately Allocated Expenses	\$15,757	\$5,585	\$12,216	\$3,541	No

3.2	Inappropriately Allocated Expenses	\$4,982	\$4,982	\$0	\$4,982	No
3.3	Inappropriately Allocated Expenses	\$0	\$0	\$0	\$0	No
4.1	Inappropriately Applied Indirect Costs	\$1,950	\$0	\$1,950	\$0	Yes
4.2	Indirect Costs Inappropriately Applied	\$13,362	\$13,362	\$0	\$13,362	No
4.3	Indirect Costs Inappropriately Applied	\$0	\$0	\$0	\$0	No
5.1	Funding Inappropriately Drawn Down in ACM\$	\$659	\$659	\$0	\$659	Yes
5.2	Funding Inappropriately Drawn Down in ACM\$	\$0	\$0	\$0	\$0	Yes
6.1	Non-compliance with TAMU Policies	\$0	\$0	\$0	\$0	Yes
6.2	Non-compliance with TAMU Policies	\$0	\$0	\$0	\$0	Yes
6.3	Non-compliance with TAMU Policies	\$0	\$0	\$0	\$0	No
7.1	Incorrect Application of Budgeted Indirect Cost Rates	\$0	\$0	\$0	\$0	Yes
Summary of Total Questioned Costs:		\$137,558	\$125,436	\$42,069	\$95,489	

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 TAMU. The summary below provides the bases for the management decisions reached by NSF:

Finding 1: Unallowable Expenses

Recommendation 1.1: Resolve the \$33,575 in questioned service and airfare expenses for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF Management Decision: The recommendation is sustained. NSF determined to sustain the entire questioned amount of \$33,575; however, for two transactions, negotiated settlements were reached to disallow and repay a portion of the questioned costs because the awards received benefits. It is NSF's management decision to sustain \$33,575; however, only \$30,982 is disallowed and requires repayment.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$30,982. **Final action will be considered complete upon repayment of \$30,982.**

Recommendation 1.2: Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$16,864 in questioned salary, airfare, and publication costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$16,864.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$16,864. **Final action will be considered complete upon repayment of \$16,864.**

Recommendation 1.3: Direct TAMU to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional internal controls to help ensure that TAMU appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF takes no exception to the SRS Post Award Desk Manual, updated 1/5/2023, Expenditure Compliance section which includes allowable costs, unallowable costs, voucher compliance approval process, payroll compliance and approval process in Workday, and travel compliance and approval process. These sections include documentation requirements. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 1.3.**

Recommendation 1.4: Direct TAMU to verify that services provided under service and subaward agreements occurred during the agreement's period of performance prior to reimbursing costs.

NSF Management Decision: The recommendation is sustained.

Corrective Action: The SRS Post Award Desk Manual, updated 1/5/2023, specifically requires verification of period of performance when reviewing subaward invoices. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 1.4.**

Recommendation 1.5: Direct TAMU to strengthen its administrative and management procedures and internal controls surrounding retroactive salary payments charged to sponsored projects.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF takes no exception to the SRS Post Award Desk Manual, updated 1/5/2023, which includes processes, controls and approvals for payroll corrections. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 1.5.**

Recommendation 1.6: Direct TAMU 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 no-show expenses that do not benefit the project(s) charged. (c) Establishing clear guidance regarding how employees that are combining business and personal travel should document that the combined travel did not cause the total airfare expenses to exceed the expenses that TAMU would have incurred if the employee had only performed business-related travel.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.**

Recommendation 1.7: Direct TAMU to establish clear guidance regarding the allowability of publication expenses, including the need to acknowledge NSF funding sources.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.**

Finding 2: Inadequately Supported Expenses

Recommendation 2.1: Resolve the \$49,218 in questioned service and travel expenses for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF Management Decision: The Recommendation is sustained. NSF determined to sustain the entire questioned amount of \$49,218; however, for three transactions, negotiated settlements were reached to disallow and repay a portion of the questioned costs because the awards received benefits. It is NSF's management decision to sustain \$49,218; however, only \$23,908 is disallowed and requires repayment.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$23,908. **Final action will be considered complete upon repayment of \$23,908.**

Recommendation 2.2: Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$1,191 in questioned additional salary costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$1,191.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$1,191. **Final action will be considered complete upon repayment of \$1,191.**

Recommendation 2.3: Direct TAMU to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional internal controls to help ensure that it appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs. Updated procedures should ensure that TAMU identifies and establishes appropriate payment terms and conditions before procuring any goods or services.

NSF Management Decision: The recommendation is sustained.

Corrective Action: The provided Purchase Guidelines contains documentation requirements under the headings of: "Before You Buy," "Responsibilities After Purchase," and "Invoice/Receipts." In addition, Policy 12.01.03 Disbursement of Funds, Section 3.2, requires that vendor invoices must be attached to and made part of the payment document and further describes necessary steps if a vendor's claim is not supported by an adequate invoice. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 2.3.**

Recommendation 2.4: Direct TAMU to strengthen its administrative and management procedures and internal controls surrounding the retention of documentation to support that personnel purchased airfare in compliance with Federal and NSF guidance. Updated procedures could include conducting annual training for those individuals within each department that are responsible for purchasing airfare.

NSF Management Decision: The recommendation is sustained.

Corrective Action: The SRS Post Award Desk Manual, updated 1/5/2023, contains travel and compliance processes that include the review and approval of travel expenses through Concur and directions for adding receipts and other documentation to support expenses. The on-line Disbursement Manual on Air Transportation specifically requires class of transportation as part of the receipt requirements. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 2.4.**

Recommendation 2.5: Direct TAMU to strengthen its administrative and management processes and internal controls related to establishing and documenting compensation rates for individuals who perform additional work outside the scope of their regular duties. Updated processes could include

performing an annual review of TAMU employees, both staff and students, to ensure that TAMU has documented an established rate of pay for each employee that charges salary expenses to sponsored projects.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.**

Finding 3: Inappropriately Allocated Expenses

Recommendation 3.1: Resolve the \$15,757 in questioned unallocable materials and software costs for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF Management Decision: The recommendation is partially sustained. For two transactions, NSF determined to allow \$10,172 based on determinations that the allocation methodologies were adequate. For one transaction, NSF determined to sustain the entire questioned amount however, a negotiated settlement was reached to disallow and repay a portion of the questioned costs because the award received benefit. It is NSF's management decision to sustain \$5,585; however, only \$3,541 is disallowed and requires repayment.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$3,541. **Final action will be considered complete upon repayment of \$3,541.**

Recommendation 3.2: Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$4,982 in questioned publication and one-time salary payments for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$4,982. **Final action will be considered complete upon repayment of \$4,982.**

Recommendation 3.3: Direct TAMU to strengthen its administrative and management procedures and internal controls for allocating expenses to sponsored projects.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.**

Finding 4: Inappropriately Applied Indirect Costs

Recommendation 4.1: Resolve the \$1,950 in questioned indirect costs for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF award.

NSF Management Decision: NSF's management decision is to allow the questioned costs of \$1,950.

Corrective Action: NSF considers that final action is complete under Recommendation 4.1.

Recommendation 4.2: Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$13,362 of questioned indirect costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$13,362.

Corrective Action: NSF requires that TAMU repay disallowed costs of \$13,362. **Final action will be considered complete upon repayment of \$13,362.**

Recommendation 4.3: Direct TAMU to strengthen its administrative and management processes and internal controls for applying indirect costs to Federal awards.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will**

be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.

Finding 5: Funding Inappropriately Drawn Down in ACM\$

Recommendation 5.1: Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$659 of questioned Award Cash Management Service drawdowns for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$659.

Corrective Action: TAMU has provided evidence of repayment of \$659. **NSF considers that final action is complete under Recommendation 5.1.**

Recommendation 5.2: Direct TAMU to strengthen the administrative and management internal controls and processes over its Award Cash Management Service reconciliation process. Processes could include requiring that an individual who is independent from the standard Award Cash Management Service drawdown process perform periodic reconciliations of Award Cash Management Service cash drawdowns to TAMU general ledger expenses for each active NSF award.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF has determined that TAMU's updated internal controls and processes over its Award Cash Management Service reconciliation process are responsive to the recommendation. **NSF considers that final action is complete under Recommendation 5.2.**

Finding 6: Non-Compliance with TAMU Policies

Recommendation 6.1: Direct TAMU to strengthen its administrative and management procedures and internal controls for incurring travel costs charged to sponsored projects. Processes could include conducting annual training for individuals who charge travel expenses to sponsored projects. The training should specifically address obtaining prior written notification before approving student travel and ensuring that mileage reimbursement documentation includes both a starting and ending address or support for actual mileage driven.

NSF Management Decision: The recommendation is sustained.

Corrective Action: The SRS Post Award Desk Manual, updated 1/5/2023, contains a comprehensive travel policy, including approval requirements. Additional travel guidelines are included in the on-line disbursement manual, including the requirement for point-to-point addresses for mileage reimbursement. In addition, TAMU summarized relevant training available to all staff. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 6.1.**

Recommendation 6.2: Direct TAMU to strengthen its administrative and management procedures and internal controls related to the effort certification process. Processes could include conducting annual

training for individuals who certify effort reports for federally sponsored projects. The training should specifically address ensuring that the individuals approve effort within 45 days after the activity report becomes available for certification.

NSF Management Decision: The recommendation is sustained.

Corrective Action: TAMU requires that all employees who work under federal awards complete Time and Effort training every two years. Training emphasizes the 45-day certification period on 4 separate slides. In addition, faculty and staff are provided with on-line resources regarding effort certification requirements. Research Service Administrators are tasked with following up on all out-of-compliance reports. NSF has determined that TAMU is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 6.2.**

Recommendation 6.3: Direct TAMU to strengthen its administrative and management procedures and internal controls related to procurement processes.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find TAMU's corrective actions responsive to the recommendation; see NSF's email dated 9/24/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to TAMU in its 9/24/2024 email and a determination by NSF that TAMU is responsive to the recommendation.**

Finding 7: Incorrect Application of Budgeted Indirect Cost Rates

Recommendation 7.1: Direct TAMU 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 budget.

NSF Management Decision: The recommendation is sustained.

Corrective Action: Some of the sampled transactions predated TAMU's updated F&A guidance dated 12/17/2018 that emphasizes the requirement of applying indirect rates in effect at the time of the initial award for the life of the award. NSF determined that TAMU's updated procedures are responsive to the recommendation. **NSF considers Rec 7.1 resolved and final action is complete.**

Required Actions to be taken by TAMU

NSF requires that TAMU provide updated corrective action plans (CAP) for the above summarized internal control and compliance recommendations where NSF determined that TAMU was not responsive to the recommendations. **Updated CAPs are required for Recommendations 1.6, 1.7, 2.5, 3.3, 4.3, and 6.3.** The updated CAPs should detail all actions, or interim actions, taken that fully address the recommendations, including the individuals responsible for internal control compliance and the dates that corrective actions were implemented. If interim or temporary actions were taken in anticipation of some future actions, provide a list of pending actions necessary for full implementation of corrective actions, responsible individuals, and target implementation dates. **Updated CAPs are due within 30 days of the date of this letter, or January 13, 2025.**

The total disallowed amount is \$95,489. TAMU has provided NSF evidence of \$659 in repayments.

Repayment of \$1,781 under open award 1723255 must be made as a general ledger (GL) adjustment.

Provide evidence of repayment under open award 1723255 with a copy of the ACM\$ transaction detail and the supporting GL transaction listing for the award being credited. Please highlight the \$1,781 credit and verify that the net expenses on the GL transaction listing agree with the ACM\$ payment amount requested. **Repayment of the remaining \$93,049 must be made via www.pay.gov.** Please reference OIG Audit Report No. 21-1-002. Any necessary adjustments to ACM\$ as a result 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, or March 13, 2025. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services**

The following are the pending pay.gov repayment amounts by award number:

Award #	Pending Repayment
1832187	\$15,055
1724670	\$13,335
1521099	\$1,380
1521067	\$1,212
1361120	\$12,001
1308144	\$482
1760479	\$4,381
1338680	\$23,207
1308144	\$576
1308144	\$125
1545403	\$1,191
1456501	\$1,497
1545837	\$2,044
1632209	\$3,123
1661861	\$762
1661861	\$1,097
1707565	\$4,549
1723266	\$6,298
1820930	\$734
	\$93,049

Please be aware that TAMU'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 from the date of this letter, or January 13, 2025.

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 703-292-4579.

Sincerely,

Carrie Davison

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