



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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June 7, 2022

Bonniejean Zitske
Director for Research Financial Services
University of Wisconsin - Madison
21 N. Park Street, Suite 6301
Madison, WI 53715-1218

Reference: OIG Report No. 21-1-013

Dear Ms. Zitske,

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID -2019) flexibilities at University of Wisconsin – Madison (UW-Madison) for the period March 1, 2020 to September 30, 2020.

While the audit report did not identify any exceptions related to UW-Madison’s use of the COVID-19 flexibilities, the report questioned \$48,998 in costs claimed under NSF awards and recommended that UW-Madison 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 \$19,200 will be allowed and that \$29,798 will be disallowed. The table below summarizes the allowed and disallowed costs by finding number:

Finding	Audit Report Description	Questioned	Allowed	Disallowed
1	Inappropriate Drawdowns Associated with Expiring Appropriations	\$47,405	\$19,200	\$28,205
2	Credits Not Appropriately Returned	\$1,593	\$0	\$1,593
Total		\$48,998	\$19,200	\$29,798

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 UW-Madison. The following provides the basis for the management decisions reached by NSF:

- **Finding 1: Inappropriate Drawdowns Associated with Expiring Appropriations**

NSF partially sustains the finding. NSF verified that the appropriations were active through the award expiration dates. NSF’s management decision is to allow costs incurred prior to the award expiration dates and to disallow costs incurred after the award expiration dates. Therefore, it is NSF’s management decision to allow \$19,200 and to disallow \$28,205.

- **Finding 2: Credits Not Appropriately Returned**

NSF sustains the finding. Based on UW-Madison's concurrence, it is NSF's management decision to disallow \$1,593.

- **Finding 3: Incorrect Application of Proposed Indirect Cost Rates**

NSF does not sustain the finding. NSF's policy requires grantees to budget indirect costs using current indirect cost rates in accordance with PAPPG Chapter II, Section C.2.g(viii), Indirect Costs. However, during the award performance period, Grantees may provide voluntary uncommitted cost sharing at any time consistent with OMB's clarification Q-132, 2 CFR Frequently Asked Questions dated 5/3/2021 and PAPPG Chapter II, Section C.2.g(xii), Cost Sharing. Also see NSF's Cost Sharing Policy at <https://www.nsf.gov/bfa/dias/policy/>. Accordingly, NSF does not agree with the recommendation to direct UW-Madison to revise its practices when setting up new accounts to apply indirect costs using the rates established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of the NSF grant award, rather than the rates included within the original grant proposal.

However, NSF does agree that grantees must have internal controls in place to ensure that the rates applied do not exceed the rates in effect at the time of the award, thereby avoiding overcharges of indirect costs to NSF awards. NSF has determined that UW-Madison has adequate internal controls to ensure that awards are not charged indirect costs in excess of the rates in effect at the time of the award.

- **Finding 4: Indirect Costs Not Appropriately Applied to Research Experiences to Undergraduates (REU) Awards**

NSF sustains the finding based on UW-Madison's concurrence. UW-Madison deactivated the incorrect REU mapping option on November 23, 2020.

NSF accepts UW-Madison's stated corrective actions as responsive to the compliance and internal control recommendations related to the audit findings above. Therefore, all compliance and internal control recommendations are considered resolved and closed.

Based on the above, the total disallowed amount is \$29,798. UW-Madison has provided NSF evidence of \$22,024 in repayment. **Repayment of the remaining \$7,774 must be made via www.pay.gov.** Please reference OIG Audit Report No. 21-1-013. Any necessary adjustments to ACM\$ because of the repayment will be made by the NSF Division of Financial Management (DFM).

Please be aware that UW-Madison'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 and repayment of disallowed costs must be received no later than 90 days from the date of this letter, or September 6, 2022. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.**

UW-Madison's timely responses and full cooperation with the NSF audit resolution process have been 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

Carrie Davison

Senior Cost Analyst

Resolution and Advanced Monitoring Branch

Division of Institution and Award Support