



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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Sarah Martonick
Interim Director for Sponsored Programs
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Associate Vice President for Finance
University of Idaho
Office of Sponsored Programs
875 Perimeter Drive MS 3020
Moscow, ID 83844-3020

Reference: OIG Report No. 22-1-004

Dear Sarah Martonick and Linda Campos:

The National Science Foundation (NSF) has completed the review and resolution of the Office of Inspector General (OIG) audit report on costs incurred under 50 NSF awards by the University of Idaho (UI) during the period of inception through September 2, 2021.

The audit report identified a total of \$35,316 in questioned costs claimed on NSF awards and recommended that UI strengthen its administrative and management controls over the areas in which findings and questioned costs were identified. NSF sustains and disallows \$30,301 of the of the questioned costs. The table below summarizes the sustained, allowed, and disallowed costs by finding number:

Finding	Audit Report Description	Questioned	Sustained	Allowed	Disallowed
1	Unallowable Expenses	\$24,855	\$24,855	\$0	\$24,855
2	Inappropriate Award Cash Management Service (ACM\$) Drawdown	\$5,446	\$5,446	\$0	\$5,446
3	Inappropriately Allocated Publication Expenses	\$5,015	\$0	\$5,015	\$0
TOTALS:		\$35,316	\$30,301	\$5,015	\$30,301

UI has provided NSF evidence of \$30,301 in repayment.

To resolve the audit findings and questioned costs, NSF conducted detailed reviews of applicable Federal and NSF requirements, proposal and award information maintained by NSF, and documentation provided by UI. The following provides the basis for the management decisions reached by NSF:

- **Finding 1: Unallocable Expenses**

NSF sustains the finding. Based on UI's concurrence, it is NSF's management decision to disallow \$24,855.

Corrective Action: UI has provided evidence of full repayment in the amount of \$24,855.

Compliance and Internal Control Recommendation: UI has revised its reimbursement procedures including 100% review of cost transfers, revised prior approval procedures, and revised travel expense procedures.

NSF considers Finding 1 resolved and closed.

- **Finding 2: Inappropriate Award Cash Management Service (ACM\$) Drawdown**

NSF sustains the finding. Based on UI's concurrence, it is NSF's management decision to disallow \$5,446.

Corrective Action: UI has provided evidence of full repayment in the amount of \$5,446.

Compliance and Internal Control Recommendation: UI has implemented additional internal controls over ACM\$ drawdowns.

NSF considers Finding 2 resolved and closed.

- **Finding 3: Inappropriately Allocated Publication Expenses**

NSF does not sustain the finding. NSF does not agree that publication acknowledgements necessarily represent the relative benefits received for the purpose of allocating publication expenses. NSF determined that UI's rationale for allocating publication expenses was reasonable. It is NSF's management decision to allow the questioned costs of \$5,015.

NSF considers Finding 3 resolved and closed.

- **Finding 4: Non-Compliance with UI Policies**

NSF sustains the finding.

Compliance and Internal Control Recommendation: UI has taken corrective actions to strengthen its effort reporting and procurement procedures.

NSF considers Finding 4 resolved and closed.

- **Finding 5: Insufficient Controls Related to the Application of Indirect Cost Rates**

NSF sustains the finding. According to 2 CFR 200, Appendix III, Section C.7, federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the federal award for Institutions of Higher Education. However, per 2 CFR 200, Appendix III, Section C.7, provisional rates are not considered negotiated rates. The four instances cited in the audit report were cases where the negotiated rate agreements at the time of the awards only established provisional rates for the awarded periods of performances. **Therefore, there were no negotiated rates in effect at the time of the awards.** UI must wait until the next negotiated rate agreements are issued to determine if rates are established for all or part of the awarded periods of performance. When a rate(s) is established for all or part of the period of performance, that rate agreement is applied as if it were the rate agreement in effect at the time of the award.

Compliance and Internal Control Recommendation: UI has internal controls in place to ensure that the rates applied do not exceed the negotiated rate(s) in effect at the time of the award.

NSF considers Finding 5 resolved and closed.

Please be aware that UI'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.

NSF considers audit report 22-1-004 resolved and closed. Should you have any questions regarding this letter or the NSF audit resolution process, please contact Carrie Davison at 703-292-4579.

Sincerely,

Carrie Davison

Carrie Davison, Senior Cost Analyst
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